Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Oversea-Chinese Banking Corporation Limited

Stock code: O39

Meeting details:
Date: 22 April 2022
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Despite the challenging operating environment caused by the pandemic, the group reported a 35% increase in net profit to $4.86 billion for the financial year ended 31 December 2021, with an improving credit environment and stronger business momentum.

(i) **Net interest margin (NIM):** For the year, net interest income decreased 2% to $5.86 billion, mainly due to a 7 basis point fall in NIM (from 1.61% to 1.54%) even as average asset balances increased by 3%. **What is the bank's strategy to maintain/increase its NIM? Should interest rates rise (as widely expected), how soon will the bank start to see improvements in its NIM?**

(ii) **Fee income:** Growth across all segments drove a 12% year-on-year increase in fee income to a record $2.245 billion. **How sustainable is the increase in the group's fee income? Specifically, how volatile is the fee income from wealth management especially if/when the markets fall?**

(iii) **CASA: Is it management's strategy to grow customer deposits by 9% year-on-year to $342 billion, including the 14% growth in current account and savings deposits (CASA) to $217 billion?**

(iv) **Loans (by geographical area):** The bank grew its customer loans by 8% from a year ago to $290 billion. It has said that the growth was broad-based across both corporate and consumer segments, with the majority of the increase coming from Singapore, Greater China, and the group's international network. **With the latest wave of Omicron infections in China, are there elevated risks in the Greater China portfolio? Did management exercise greater prudence to maintain the loan book in Malaysia and Indonesia or was there a lack of quality growth opportunity?** In addition, it is observed that the NPL formation was elevated at $1.06 billion in 4Q21 (3Q21: $804m) with lower NPLs in Singapore (write-offs for legacy oil & gas exposures) but offset by higher NPLs in Malaysia (housing loans under moratorium), Indonesia (loans for the manufacturing sector) and Greater China (delays in project financing due to disruptions from the COVID-19 pandemic). **Are the markets of Malaysia and Indonesia lagging behind Singapore in terms of recovery from COVID? Does management expect more impairments in these two countries, and possibly from the Greater China portfolio as well?**

(v) **Loans (by industry):** Loan growth came from "building & construction" and "professional & individuals". **Does the group see the worst over for the building & construction segment and has positioned itself accordingly? What is fueling the increase in loans by professionals & individuals?**

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(vi) **Cost-to-income:** In the fourth quarter, the cost-to-income ratio increased from 46.4% to 50.5%. For FY2021, the cost-to-income ratio increased from 43.8% to 45.0%. **How much of the increase could be attributed to the group's investments in technology?** In addition, staff costs increased by 10% to $3.03 billion in the year (Operating expenses - page 111). **How does management ensure that the bank remains cost-effective?**

Q2. The bank and its customers fell victim to "a sophisticated and well-orchestrated SMS phishing scam" in December 2022. The SMS phishing scam was not a cyber-attack and the bank's systems were not compromised. Nevertheless, about 800 bank customers lost approximately $14 million to the scam and the bank has compensated these customers in full out of goodwill.

Following the phishing attack, the bank further enhanced its security measures and have introduced a dedicated customer service care team as well as a fraud hotline to handle customer queries and reports on fraud and suspected scams, and increased customer awareness campaigns. In addition, the bank has also engaged Pricewaterhouse Coopers Risk Service Pte Ltd to perform an independent review of the incident.

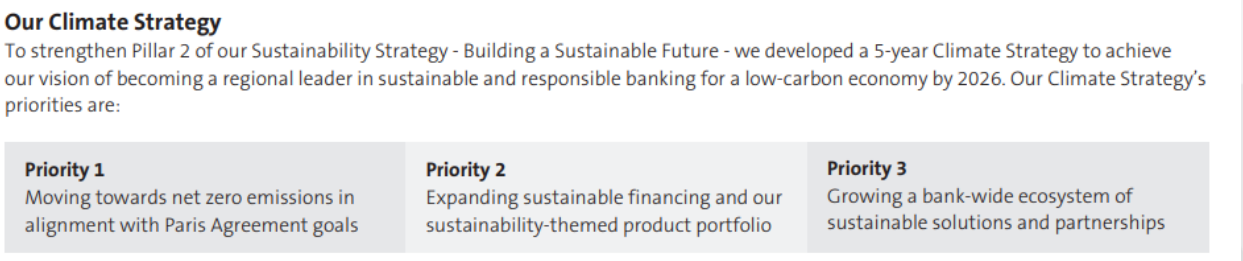
(i) **Did the bank experience any significant outflow of customers' funds following the phishing attack?**

(ii) **Did management evaluate why the bank (out of the three local banks) was targeted?**

(iii) **What is the scope of the independent review by Pricewaterhouse Coopers Risk Service Pte Ltd? When will the report be ready?**

(iv) **Did the bank also enhance its security measures in its foreign operations?**

Q3. The theme of the annual report is "Creating a sustainable world". In FY2021, the bank formulated a new comprehensive Climate Strategy which outlines its five-year plan to accelerate sustainable transition (page 22; reproduced below).



(Source: company annual report)

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In addition, the bank's Green achievements include:

- 2.x growth in number of green and sustainability-linked loans completed in 2021
- 2x growth in sustainable financing extended to SME clients in 2021
- 25x growth in ESG investment by Bank of Singapore clients
- Sustainability Advisor for 7 out of every 10 sustainability-linked bonds and green bonds in Singapore since 2020

The bank is also working on integrating climate risk into its Responsible Financing framework and policies, in line with the Guidelines on Environmental Risk Management for Banks by MAS. It rolled out its OCBC SME Sustainable Finance Framework to simplify the access to green loans to help SMEs in their shift towards sustainability.

(i) **Does the bank see itself as a leader in the area of green and sustainability-linked financing?**

(ii) **Can the bank confirm that it has stopped financing new coal-fired power plants? Does the bank still have existing obligations to finance coal-fired power plants, especially those in the region? If so, how will the bank be transitioning itself away from the financing of coal-fired power plants?**

(iii) **For stakeholders' benefit, will the board/management elaborate further on its decarbonisation pathways for the bank and, more importantly, for its customers?**

(iv) **How does the bank guard against greenwashing? How does the group verify or certify that its ESG-focused investments deliver on their promises and are aligned with global climate targets such as the Paris Agreement?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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