

## **OCBC ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2021**

### **RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

**Singapore, 27 April 2021** – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) would like to thank shareholders for their questions submitted in advance of the 84<sup>th</sup> Annual General Meeting (“2021 AGM”). The 2021 AGM will be convened through electronic means on Thursday, 29 April 2021 at 2.00 p.m.

For clarity, the questions and responses have been consolidated and rephrased. These are grouped by topics as follows:

- A) Operating Environment and Strategy
- B) Capital and Dividends
- C) Digital Banking
- D) Employees and Talent Management
- E) Other Topics

Thank you for supporting OCBC Bank.

By Order of the Board

Company Secretary

## A. Operating Environment and Strategy

### Question 1

#### **What are the opportunities and challenges arising from Covid-19 and how is OCBC addressing them?**

OCBC is well-anchored on its solid financial and operational foundations. Our strong balance sheet, disciplined approach to risk, diversified franchise, depth of talent and investments in technology provide us with a set of competitive strengths to grow in our markets and pursue new opportunities. We will continue to build resiliency by reinforcing and investing in the overall capabilities of our franchise.

Covid-19 has accelerated several emerging global and regional structural trends that have presented both opportunities and challenges.

Opportunities arising include:

- Supply chain diversification and increase in investment, trade and wealth flows across ASEAN and Greater China, as well as increased economic activities arising from the Regional Comprehensive Economic Partnership. Our global network strength strategically positions us well to capitalise on the rising regional flows.
- Acceleration of digital adoption. In 2020, we saw more than 200,000 first-time users of Singapore digital channels. OCBC has led the industry in rolling out many “digital-firsts” including instant account openings, loan approvals and contactless payments.
- Expanded and new areas of customer activities as a result of rebalancing of economies, growth of new industries and reinvention of business models. OCBC is well-placed to support customers in these new activities.
- Increased focus on sustainability. We will continue to help customers to accelerate their sustainability journey, grow our sustainable finance portfolio and support initiatives in reducing carbon footprint.

We are watchful of challenges which include:

- The prolonged low interest rate environment has created pressure on net interest margins. With asset yields broadly flat, we will actively optimise our funding base to manage our margins.
- With the rapid adoption of digital services in banking, the risk of cyberattacks has increased. We will continuously buttress our cyber security defences to safeguard our customers’ privacy, data and investments.
- The liberalisation of the banking sector has seen new entrants emerge, such as digital banks, fintech companies and e-commerce platforms. We will continue to grow our digital platform with user-friendly applications and enlarge our digital ecosystem with partners to offer better customer experience, differentiated products and innovative solutions to meet the needs of our customers. The extensive use of digital enablers will be stepped up to improve the operating efficiency of our internal processes.
- Due to the uncertainties, the time frame for a return to normalcy could take longer. Thus, we remain watchful of the evolving risks in our operating environment.

## **Question 2**

### **Is OCBC focusing more on ASEAN or Greater China? Would OCBC further scale its franchise in any ASEAN countries?**

Our core markets are Singapore, Malaysia, Indonesia and Greater China. They are supported by an established and highly-interconnected branch network across Asia and in the major global financial centres.

ASEAN is now China's largest trading partner and in recent years, we have built a very strong franchise across Southeast Asia and Greater China. Singapore and Hong Kong SAR serve as key hubs, connecting customers to our global network in 19 countries and regions. We are therefore well-positioned to support our customers as investment, trade and wealth flows between ASEAN and Greater China grow.

In terms of key initiatives, we will continue to deepen our penetration in ASEAN markets including Vietnam and Thailand to strengthen our connectivity across ASEAN and Greater China. We have also added resources to scale up our Greater China franchise. Our China Business Office coverage will be further expanded to all our major markets in Southeast Asia to capture the many growth opportunities arising from the deeper economic and financial integration within Asia.

## **Question 3**

### **What would OCBC say are its main comparative advantages against its peers?**

OCBC is one of the world's most highly-rated banks. We have a well-diversified business franchise across our three core business pillars of Banking, Wealth Management and Insurance. These have supported our resilient performance, generated significant business synergies and provided growth opportunities for the Group.

- In Banking, we offer a broad array of commercial banking, specialist financial and wealth management services.
- In Wealth Management, our standalone private banking subsidiary, Bank of Singapore, has broadened its market coverage, strengthened its product suite and stepped up its advisory services.
- Our 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.
- These three pillars are integrated within the Group to offer a comprehensive range of financial services and products.

We have a wide geographical footprint across 19 countries and regions, and are well-positioned to tap on the increased opportunities arising from the growth in inter ASEAN-Greater China capital flows in the region. OCBC is deeply rooted in Malaysia and Indonesia through our local banking subsidiaries and has wide connectivity across the Greater China region through OCBC Wing Hang.

In pursuing growth opportunities, we will continue to reinforce and embed a culture of prudent risk taking, build a strong capital position and deepen our talent pool.

**Question 4****What are OCBC's views on mergers and acquisitions?**

The Bank's overall strategy is to focus on the three core business pillars of Banking, Wealth Management and Insurance in our key markets. We will consider both organic and inorganic opportunities and are open to these as and when they arise. Economic and market uncertainties remain and there is also a lack of visibility in the time frame of a return to normalcy in the operating environment.

**Question 5****The ongoing economic recovery of the world has led to steepening of the yield curve. What are the challenges for OCBC in this environment? Will this situation lead to much higher loan provision ahead?**

Whilst the longer-end of the US treasury yield curve has steepened somewhat, the short-end remains flat. Most of the loans in our portfolio are pegged to shorter-term reference rates and the sharp drop in interest rates had contributed to the decline in our net interest income and net interest margin for 2020. We expect interest rates to stay low in 2021. We will however continue to optimise our funding base to manage our margins.

We do not anticipate the evolving but improving near-term economic conditions to lead to higher loan provisions. For those customers that had exited the loan relief programmes, their repayment trends have been healthy. Given the low interest rates and the revival in global economic growth led by the United States and China, we believe that most of our customers will be in a better position to service their obligations.

## **B. Capital and Dividends**

### **Question 1**

#### **When does OCBC expect to resume post-pandemic dividend payment to shareholders?**

We await MAS' guidance on the lifting of the dividend cap. We remain committed to our dividend policy of providing our shareholders with a sustainable and progressive dividend that is consistent with our long-term growth.

### **Question 2**

#### **Why are the current scrip dividends offered at no discount to market price? Will OCBC offer discounted scrip dividends again in the future?**

We have built up a strong capital position to cushion for a possible large adverse impact from Covid-19. We are comfortable with our current capital buffers and are of the view that there is no necessity to apply the scrip at a discount to the market price.

For the 2020 final dividend, we are offering shareholders the option of receiving scrip dividends, in line with MAS' guidance. Going forward, whether the scrip dividend would be offered or at a discount will depend on OCBC's capital levels, the appropriate capital mix and the requirement to support our business growth.

### **Question 3**

#### **Will OCBC consider consolidating 50¢ par value a share to \$1 a share to be in line with the other two local banks in view that shares can now be traded in board lots of 100 shares?**

Par value no longer applies today as the concept had been removed in Singapore since January 2006. There is no plan to undertake a share consolidation. By keeping the absolute price of a board lot of OCBC shares affordable, we believe this provides an accessible investment option to a broader pool of investors.

### **Question 4**

#### **Given the high CET-1 Capital of 15.2%, will the Bank consider a capital reduction exercise? How would you optimise your capital position and ensure adequate capital buffers?**

There is no plan for a capital reduction exercise. Our strong capital has enabled us to weather the pandemic well and gives us the confidence to execute our strategic business plans, continue to invest in our people and digitalise our service offerings and internal processes. The operating environment although improving, remains uncertain. The rise in virus infections and emergence of new variants in a number of large economies are concerning developments. The outlook is still fraught with risks. We will actively manage our capital level and capital structure to balance the need for adequate buffers in the face of the evolving risks and the need to support the growth of our franchise.

## C. Digital Banking

### Question 1

**Please share OCBC's digital bank strategy.**

OCBC will continue to invest heavily to position itself as a digitally-empowered bank, focusing on delivering superior banking experience for our customers, driving bank-wide transformation to achieve operational efficiencies and applying data science to grow new opportunities. Our strategy encompasses:

- Digital innovation to enhance superior customer experience. We work to continuously innovate and launch first-to-market digital products and services, and expand our digital services to meet customers' needs across all stages of their journey with us. We aim to provide customers with greater insights and analytics to help them better manage their financial goals and grow their businesses.
- Business transformation. We aim to fully integrate our branches and service delivery with our digital platform to provide a seamless customer experience that holistically meets all their banking needs.
- Enhancing the responsiveness of our core technology architecture by shifting to a more nimble microservices platform. We have also established an Artificial Intelligence (AI) lab in Singapore, and a regional digital technology centre in Shenzhen.
- Strengthening collaboration with strategic partners. We work with them on emerging innovations in areas such as seamless payments, data analytics, as well as AI and machine learning.
- Upskilling and reskilling of employees. We continuously invest in our learning ecosystem to ensure that our employees are trained and equipped with the right skills and are future ready in the new digital age.
- Placing great emphasis in ensuring that we have robust cyber security defences in place to safeguard our customers' privacy, data and investments.

### Question 2

**What is OCBC's view with regard to cryptocurrencies?**

We recognise that there is growing interest in cryptocurrencies and have been closely monitoring developments in the cryptocurrency space, including the tokenisation of digital instruments, as these digital innovations continue to rapidly evolve.

We will evaluate the value proposition of these digital instruments carefully. This will include due diligence and review of product suitability for our customers, security of ownership, risk profile and the regulatory environment. The acceptance of cryptocurrencies involves many important considerations including trust, regulatory acceptance, reputational risks, and determinants of price. As such, we will take a prudent approach in our assessment of cryptocurrencies and carefully evaluate their suitability for our customers.

## D. Employees and Talent Management

### Question 1

#### **What efforts have been made to hire Singaporeans?**

As a local bank headquartered in Singapore, we are constantly growing and strengthening our Singapore core. We adhere closely to the Fair Consideration Framework which sets out the requirements for employers to consider the workforce in Singapore fairly for job opportunities.

In 2020, we created over 3,500 jobs in Singapore, offering job opportunities for fresh graduates and other job seekers amid the economic and employment uncertainty brought about by Covid-19. The roles are in areas such as wealth management, corporate banking, risk management, data analytics, operations and technology.

### Question 2

#### **What steps have OCBC taken to be an Employer of Choice?**

Our employees are central to OCBC's journey to create sustainable value for all shareholders and customers.

At OCBC, we aim to attract, develop and retain the right talent, and are grounded by our purpose and values to help them achieve their potential to the fullest. As a responsible employer, we strive to develop their career in a workplace that is safe and allows them to be engaged with colleagues in a culture where LIFRR (Lasting Value, Integrity, Forward-Looking, Respect and Responsibility) lives.

We will continuously invest in our people and these would include:

- Talent management. Help employees develop and realise their full potential by continuously investing in our learning ecosystem. We launched a S\$20 million Future Smart Programme to equip our staff with the necessary skillset to be future ready in the new digital world.
- Building an inclusive culture that embraces diversity, treating employees fairly and providing equal opportunities. We maintain a culture that is caring, trusting and progressive, and recognise each individual and the value they bring to OCBC.
- Delivering better employee experience. With changes in the way we work due to Covid-19, we will support and stay connected with our employees through ensuring continuity of learning and development, reimagining employee engagement, listening to our employees and improving their experience with OCBC.

We have been awarded the AON Best Employer Award for Singapore and Malaysia in 2016 and 2017, and Kincentric Best Employer in 2019 for Singapore and Malaysia.

## **E. Other Topics**

### **Question 1**

**Given that OCBC is pursuing a Greater Bay Area strategy, with Hong Kong as a base, will the Board consider pursuing a dual listing on the Hong Kong Stock Exchange to increase OCBC's profile to global investors?**

OCBC Group is the second largest financial services group in Southeast Asia by assets and one of the largest companies listed on the Singapore Exchange by market capitalisation. As such, we are widely covered by the investment community.

Nonetheless, we will continue to step up our engagement with the investment community to articulate our corporate strategy, business franchise and financial performance to build a strong and diversified shareholder base.

There are currently no plans to pursue a dual listing on the Hong Kong Stock Exchange.

### **Question 2**

**On page 288 of the Annual Report, it shows that OCBC Group's properties have a market value of about S\$7.3 billion, versus its carrying value of S\$2.8 billion. Does the Bank have plans to unlock the value from its properties?**

A large proportion of the property portfolio are properties utilised for our banking operations.

For the smaller portfolio of investment properties, we have been progressively divesting our non-core properties over the years. The Group reviews its property holdings regularly with the intention to unlock the capital values at an opportune time.

### **Question 3**

**Investment banks have incurred significant losses from exposures to Archegos Capital. What is OCBC's position, if any, relating to this?**

OCBC is not in the prime brokerage business. Share financing to customers is strictly governed by internal policies that do not allow a customer's exposure to be highly leveraged or overly concentrated in one counter.



**Question 4****Could you comment on OCBC's deposits franchise?**

OCBC has a well-diversified and growing deposit base. We have been successful in growing our current account and savings account ("CASA") deposit franchise across all our core markets. In 2020, our CASA deposits grew to a new high of S\$190 billion, and represented more than 60% of our total customer deposits.

**Question 5****Any backtesting exceptions for Trading value-at-risk (VaR)? Any impact?**

Backtesting is the process of comparing daily actual and hypothetical profits and losses with model-generated Trading VaR over a 1-year period to assess the reliability of risk measurement systems. An exception occurs when either the actual loss or the hypothetical loss of the trading book registered in a day of the backtesting period exceeds the corresponding daily VaR measure given by the model.

In 2020, there were a small number of backtesting exceptions arising from the market volatility seen in March at the onset of the pandemic. There was no financial impact due to these exceptions.