

Oversea-Chinese Banking (OCBC SP)

FUNDAMENTAL VIEW ¹

As of 08 Mar 2024

- OCBC's Aa1/ AA-/ AA- ratings are based on its strong stand-alone credit profile as well as the likelihood of support from the government of Singapore, where OCBC is one of the three large local banks.
- The bank is conservatively run, though it was late amongst the Singapore banks to write down its oil & gas exposure in the latter half of the 2010's.
- Its CET1 ratio compares favourably with that of DBS and UOB, and helps to counter the volatility from its insurance business.

RISKS & CATALYSTS

As of 08 Mar 2024

- Asset quality is comfortable with ~20 bp of credit costs and ~SGD 3bn in collective provisions.
- In volatile markets, the MTM on its insurance assets has led to lower levels of profitability and the need for OCBC to have a higher CET1 ratio than the other two Singapore majors.
- Acquisition risk is high but guidance has been for more of the bolt-on type.
- OCBC had a strategy refresh with a focus on the Greater China-ASEAN axis. It aims for SGD 3 bn in incremental revenue by FY25 as a result of new initiatives. Wealth/investments/trade flows are expected to drive 70% of the incremental revenue, and sustainability and new economy the remaining 30%.

CREDIT QUALITY SCORE (CQS)²

As of 08 Apr 2024

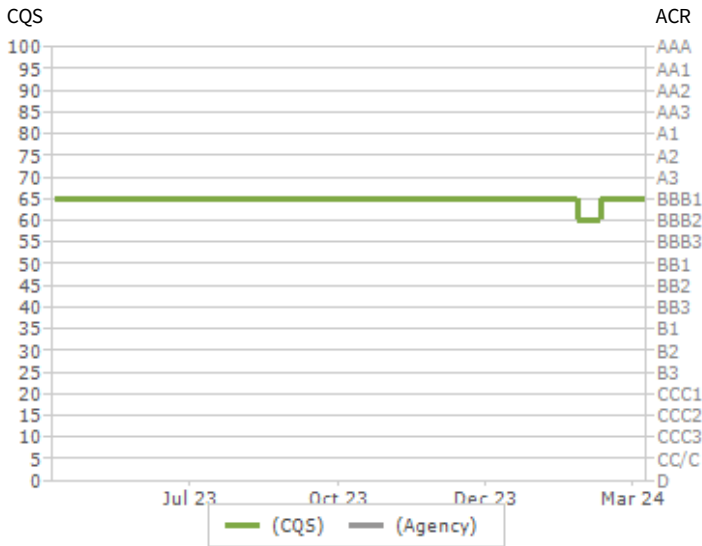
CURRENT CQS

65

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 08 Mar 2024

SGD MN	FY19	FY20	FY21	FY22	FY23
PPOP / Average Assets	1.28%	1.10%	1.08%	1.15%	1.44%
ROA	1.26%	0.85%	1.13%	1.21%	1.46%
ROE	11.4%	7.6%	9.6%	11.1%	13.7%
Equity to Assets	9.6%	9.5%	9.7%	9.2%	9.3%
CET1 Ratio	14.9%	15.2%	15.5%	15.2%	15.9%
NPL Ratio	1.50%	1.50%	1.50%	1.20%	1.00%
Provision/Loans	0.35%	0.78%	0.33%	0.21%	0.25%
Liquidity Coverage Ratio	155%	139%	151%	152%	145%
Net Stable Funding Ratio	111%	125%	121%	117%	116%

BUSINESS DESCRIPTION

As of 08 Mar 2024

- OCBC is one of the three large Singapore banks with business focused on commercial, retail, private banking and insurance in Singapore, SE Asia and Greater China.
- OCBC's origins date back to 1912. Its founding Lee family controls 26% of the shares, though the bank has been professionally managed for many years.
- OCBC has held a stake in Great Eastern Insurance (GE) since the 1960s and in 2006 raised this to 87% as part of its strategy of growing its wealth management businesses.
- It owns an asset-management company, Lion Global Investors. OCBC acquired ING's Asian private banking (PB) business in 2010 and renamed it Bank of Singapore, and added the Barclays Asian PB business in 2016.
- OCBC has a long-standing presence in Malaysia, and is present in Indonesia via Bank OCBC NISP. In China, it has a 20% stake in Bank of Ningbo as well as its own subsidiary. It acquired Hong Kong's Wing Hang Bank in 2014; it is now named OCBC Bank (Hong Kong) Ltd. More recently it acquired CBA's Indonesia business and GE acquired an AmBank-MetLife insurance JV in Malaysia.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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