

Management Discussion and Analysis

Overview

	2023 \$ million	2022 \$ million	+ / (-) %
Selected Income Statement Items			
Net interest income	9,645	7,688	25
Non-interest income	3,862	3,598	7
Total income	13,507	11,286	20
Operating expenses	(5,223)	(4,838)	8
Operating profit before allowances and amortisation	8,284	6,448	28
Amortisation of intangible assets	(103)	(104)	-
Allowances for loans and other assets	(733)	(584)	25
Operating profit after allowances and amortisation	7,448	5,760	29
Share of results of associates, net of tax	953	910	5
Profit before income tax	8,401	6,670	26
Net profit attributable to equity holders	7,021	5,526	27
Cash basis net profit attributable to equity holders⁽¹⁾	7,124	5,630	27
Selected Balance Sheet Items			
Ordinary equity	52,920	49,417	7
Equity attributable to equity holders of the Bank	54,170	51,117	6
Total assets	581,424	556,924	4
Assets excluding investment securities and other assets for life insurance funds	483,907	461,927	5
Net loans to customers	292,754	291,467	-
Deposits of non-bank customers	363,770	350,081	4
Per Ordinary Share (\$)			
Basic earnings ⁽²⁾	1.55	1.22	
Diluted earnings ⁽²⁾	1.55	1.22	
Net asset value	11.77	10.99	
Key Financial Ratios (%)			
Return on equity ⁽²⁾⁽³⁾	13.7	11.1	
Return on assets ⁽⁴⁾	1.46	1.21	
Net interest margin	2.28	1.91	
Non-interest income to total income	28.6	31.9	
Cost-to-income	38.7	42.9	
Loans-to-deposits	80.5	83.3	
Non-performing loan ratio	1.0	1.2	
Total capital adequacy ratio (CAR) ⁽⁵⁾	18.1	17.7	
Tier 1 CAR ⁽⁵⁾	16.5	15.9	
Common Equity Tier 1 CAR ⁽⁵⁾	15.9	15.2	
Leverage ratio ⁽⁵⁾⁽⁶⁾	7.2	7.2	
Singapore dollar liquidity coverage ratio ⁽⁵⁾⁽⁷⁾	394	325	
All-currency liquidity coverage ratio ⁽⁵⁾⁽⁷⁾	155	152	
Net stable funding ratio ⁽⁵⁾⁽⁸⁾	116	117	

(1) Excludes amortisation of intangible assets.

(2) Calculated based on net profit less distributions on other equity instruments paid and estimated to be due at the end of the financial year.

(3) Other equity instruments and non-controlling interests are not included in the computation for return on equity.

(4) Computation of return on assets excludes investment securities and other assets for life insurance funds.

(5) 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 (<https://www.ocbc.com/group/investors/investor-information#pillarthreedisclosures>).

(6) The Group's leverage ratio is computed based on MAS Notice 637.

(7) The Group's liquidity coverage ratios ("LCR") are computed based on MAS Notice 649 and reported based on the average LCR for the respective years.

(8) The Group's net stable funding ratio is computed based on MAS Notice 652.

(9) Comparative figures have been restated with the adoption of SFRS(I) 17, except for Capital and Liquidity ratios which are not restated.

Overview (continued)

Group net profit was \$7.02 billion for the financial year 2023, up 27% from \$5.53 billion a year ago.

Total income for 2023 rose to a new high of \$13.5 billion, lifted by growth across the Group's diversified income streams, with net interest income at a record high, and trading and investment income higher. Loan-related and credit card fees rose, but overall fee income was down as subdued investment sentiments continued to weigh on wealth-related fees. Continued cost discipline amid an inflationary environment, combined with income growth, drove the cost-to-income ratio lower to 38.7%. Asset quality was resilient with NPL ratio of 1.0% and credit costs at 20 basis points. The Group's strong capital, funding and liquidity levels provide ample headroom to drive growth and capture opportunities as they arise. With strong earnings and sound capital position, the final dividend was raised to 42 cents per share from 40 cents a year ago. This brings the 2023 dividend to 82 cents per share, up 21% from 68 cents a year ago and represents a payout ratio of 53% of the Group's 2023 net profit.

Record net interest income of \$9.65 billion was 25% higher than a year ago, underpinned by a 5% growth in average assets and a 37-basis point expansion in net interest margin (NIM) to 2.28%. NIM was higher across all key markets, benefitting from the higher interest rate environment and proactive balance sheet management.

Non-interest income rose 7% to \$3.86 billion. The increase was largely attributed to improved trading income and investment gains. Net fee income of \$1.80 billion was 3% below the \$1.85 billion in the previous year. Higher fees from credit card and loan-related activities were more than offset by lower wealth-related fees as customer activities remained subdued amid global risk-off investment sentiments.

Net trading income improved 8% to \$1.00 billion, from \$929 million a year ago, driven by record customer flow treasury income. Net realised gains from sale of investment securities were \$47 million, as compared to a net loss of \$206 million in 2022 that was largely attributed to rebalancing of the fixed income portfolio.

Insurance income was \$808 million as compared to \$803 million a year ago. Great Eastern Holdings (GEH) adopted Singapore Financial Reporting Standards (International) (SFRS(I)) 17 on 1 January 2023, and the Group's insurance results for 2023 are prepared based on SFRS(I) 17 and respective comparatives for 2022 have been restated. Total weighted new sales and new business embedded value (NBEV) were \$1.66 billion and \$762 million respectively, while NBEV margin was higher at 45.9%. GEH's embedded value, a measure of the long-term economic value of the existing business of a life insurance company, was \$17.3 billion as at 31 December 2023.

The Group's wealth management income, comprising income from insurance, private banking, premier private client, premier banking, asset management and stockbroking comprised 32% of the Group's total income. Wealth management income for 2023 rose 26% to \$4.32 billion, up from \$3.42 billion a year ago. Group wealth management AUM expanded 2% to \$263 billion, from \$258 billion in the previous year.

Operating expenses increased 8% to \$5.22 billion. This was largely attributed to higher staff costs, IT-related costs and other operational expenses associated with business growth. The rise in staff costs was led by annual salary adjustments, headcount growth and a one-off support to help junior employees cope with rising cost-of-living concerns. Cost-to-income ratio improved to 38.7% in 2023, from 42.9% in the prior year.

Total allowances were \$733 million, up 25% from \$584 million in the previous year.

Share of results of associates grew 5% to \$953 million, from \$910 million a year ago.

The Group's return on equity for 2023 improved to 13.7%, from 11.1% a year ago. Earnings per share was 27% higher at \$1.55, compared to \$1.22 in the previous year.

Overview (continued)

Allowances and Asset Quality

Total non-performing assets (NPA) were lower at \$2.90 billion as at 31 December 2023, 17% lower than a year ago. NPL ratio of 1.0% improved from 1.2% in the previous year. Allowance coverage against total NPAs increased to 151% from 114% a year ago.

For 2023, total allowances were \$733 million, up 25% from \$584 million in 2022, from allowances for both impaired and non-impaired assets. Allowances for impaired assets were \$333 million, up from \$216 million in the previous year. Non-impaired allowances of \$400 million were set aside to account for macroeconomic variable updates, shifts in risk profiles and management overlays, taking a forward-looking view.

Funding, Liquidity and Capital Position

As at 31 December 2023, customer loans were \$297 billion. In constant currency terms, loans were 2% higher than the previous year. Loan growth for the year was driven by both non-trade corporate and housing loans, which compensated for weak trade loan demand. By geography, the increase from a year ago was led by higher loans in Singapore, Australia, Europe and the United Kingdom. As at 31 December 2023, sustainable financing loans grew 29% from the previous year to \$38.4 billion, against a total loan commitment of \$56 billion.

Customer deposits rose 4% year-on-year to \$364 billion. Loans-to-deposits ratio was 80.5%.

Group Common Equity Tier 1 (CET1) CAR was 15.9%, while the leverage ratio was 7.2%.

Dividend

The Board has proposed a final dividend of 42 cents per share, an increase from 40 cents a year ago. This brings total dividend for 2023 to 82 cents per share, up 14 cents or 21% from 2022. The total dividend payout will amount to \$3.69 billion, representing a payout ratio of 53%.

The Scrip Dividend Scheme is not applicable.

Net Interest Income

Average Balance Sheet

	2023			2022		
	Average Balance \$ million	Interest \$ million	Average Rate %	Average Balance \$ million	Interest \$ million	Average Rate %
Interest earning assets						
Loans to customers	290,322	15,006	5.17	289,708	8,852	3.06
Placements with and loans to banks	61,869	3,296	5.33	49,804	1,314	2.64
Other interest earning assets	70,874	2,565	3.62	62,100	1,424	2.29
	423,065	20,867	4.93	401,612	11,590	2.89
Interest bearing liabilities						
Deposits of non-bank customers	364,663	9,798	2.69	347,287	3,223	0.93
Deposits and balances of banks	12,564	470	3.74	12,814	195	1.52
Other borrowings	18,649	954	5.11	19,590	484	2.47
	395,876	11,222	2.83	379,691	3,902	1.03
Net interest income/margin⁽¹⁾		9,645	2.28		7,688	1.91

Volume and Rate Analysis

Increase/(decrease) for 2023 over 2022 due to change in:	Volume \$ million	Rate \$ million	Net change \$ million
Interest income			
Loans to customers	19	6,135	6,154
Placements with and loans to banks	318	1,664	1,982
Other interest earning assets	201	940	1,141
	538	8,739	9,277
Interest expense			
Deposits of non-bank customers	161	6,414	6,575
Deposits and balances of banks	(4)	279	275
Other borrowings	(23)	493	470
	134	7,186	7,320
Impact on net interest income	404	1,553	1,957
Due to change in number of days			–
Net interest income			1,957

⁽¹⁾ Net interest margin is net interest income as a percentage of interest earning assets.

Non-Interest Income

	2023 \$ million	2022 \$ million	+ / (-) %
Gross fee and commission income			
Brokerage	75	103	(28)
Credit card	369	337	10
Fund management	107	119	(10)
Guarantees	14	14	–
Investment banking	90	100	(11)
Loan-related	207	180	15
Service charges	99	87	14
Trade-related and remittances	275	298	(8)
Wealth management	896	919	(2)
Others	55	50	11
	2,187	2,207	(1)
Fee and commission expense	(383)	(356)	7
Fees and commissions (net)	1,804	1,851	(3)
Net trading income	1,004	929	8
Income from life and general insurance			
Insurance service results from life insurance	427	683	(38)
Net investment income/(expenses) from life insurance	5,590	(4,966)	nm
Net insurance financial result from life insurance	(5,239)	5,085	nm
Insurance service results from general insurance	30	1	nm
Sub-total	808	803	1
Other income			
Disposal of investment securities	47	(206)	nm
Disposal of property, plant and equipment	71	99	(29)
Rental and property-related income	87	78	12
Dividends from FVOCI securities	30	30	1
Others	11	14	(28)
Sub-total	246	15	nm
Total non-interest income	3,862	3,598	7

(1) Comparative figures have been restated with the adoption of SFRS(I) 17.

(2) "nm" denotes not meaningful.

Operating Expenses

	2023 \$ million	2022 \$ million	+ / (-) %
Staff costs	3,501	3,233	8
Property and equipment			
Depreciation	440	426	3
Maintenance and rental	162	163	(1)
Others	364	330	10
	966	919	5
Other operating expenses	756	686	10
Total operating expenses	5,223	4,838	8
Group staff strength			
Period end	33,330	31,604	5
Average	32,674	31,269	4

(1) Comparative figures have been restated with the adoption of SFRS(I) 17.

Allowances for Loans and Other Assets

	2023 \$ million	2022 \$ million	+ / (-) %
Allowances/(write-back):			
Impaired loans			
Singapore	120	(30)	nm
Malaysia	34	(23)	nm
Indonesia	24	2	972
Greater China	(8)	107	nm
Others	99	80	23
	269	136	97
Impaired other assets	64	80	(20)
Non-impaired loans	394	369	7
Non-impaired other assets	6	(1)	nm
Allowances for loans and other assets	733	584	25

(1) "nm" denotes not meaningful.

Loans to Customers

	2023 \$ million	2022 \$ million	+ / (-) %
By Industry			
Agriculture, mining and quarrying	6,808	8,193	(17)
Manufacturing	14,186	15,052	(6)
Building and construction	93,165	89,299	4
Housing loans	63,833	62,015	3
General commerce	27,411	29,209	(6)
Transport, storage and communication	16,113	13,017	24
Financial institutions, investment and holding companies	24,093	24,387	(1)
Professionals and individuals	31,708	34,752	(9)
Others	19,336	19,056	1
	296,653	294,980	1

By Currency			
Singapore Dollar	112,367	107,270	5
United States Dollar	59,553	70,884	(16)
Malaysian Ringgit	17,592	18,413	(4)
Indonesian Rupiah	9,827	8,732	13
Hong Kong Dollar	37,583	36,295	4
Chinese Renminbi	8,623	7,358	17
Others	51,108	46,028	11
	296,653	294,980	1

By Geography ⁽¹⁾			
Singapore	123,369	119,925	3
Malaysia	23,604	25,077	(6)
Indonesia	19,088	18,600	3
Greater China	71,301	72,756	(2)
Other Asia Pacific	22,641	21,734	4
Rest of the World	36,650	36,888	(1)
	296,653	294,980	1

⁽¹⁾ Loans by geography are determined based on where the credit risk resides, which may be different from the borrower's country of residence or the booking location of the loans.

Non-Performing Assets

	Total NPAs ⁽¹⁾ \$ million	Substandard \$ million	Doubtful \$ million	Loss \$ million	NPLs ⁽²⁾ \$ million	NPL Ratio ⁽²⁾ %
Singapore						
2023	403	128	178	97	347	0.3
2022	437	202	154	81	383	0.3
Malaysia						
2023	710	293	196	221	682	2.9
2022	981	522	188	271	941	3.8
Indonesia						
2023	532	119	219	194	532	2.8
2022	778	343	252	183	778	4.2
Greater China						
2023	659	279	349	31	659	0.9
2022	901	444	431	26	901	1.2
Other Asia Pacific						
2023	110	33	76	1	109	0.5
2022	96	41	54	1	96	0.4
Rest of the World						
2023	487	103	383	1	476	1.3
2022	293	30	263	#	284	0.8
Group						
2023	2,901	955	1,401	545	2,805	1.0
2022	3,486	1,582	1,342	562	3,383	1.2

(1) Refer to Non-performing assets. Comprise loans to customers, debt securities and contingent liabilities.

(2) Refer to Non-performing loans. Exclude debt securities and contingent liabilities.

(3) "#" represents amounts less than \$0.5 million.

Non-Performing Assets (continued)

	2023		2022	
	\$ million	% of gross loans	\$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	38	0.6	56	0.7
Manufacturing	423	3.0	614	4.1
Building and construction	583	0.6	592	0.7
Housing loans	503	0.8	579	0.9
General commerce	264	1.0	392	1.3
Transport, storage and communication	221	1.4	392	3.0
Financial institutions, investment and holding companies	149	0.6	131	0.5
Professionals and individuals	105	0.3	128	0.4
Others	519	2.7	499	2.6
Total NPLs	2,805	1.0	3,383	1.2
Classified debt securities	–		–	
Classified contingent liabilities	96		103	
Total NPAs	2,901		3,486	

	2023		2022	
	\$ million	%	\$ million	%
NPAs by Period Overdue				
Over 180 days	953	33	968	28
Over 90 to 180 days	368	13	396	11
30 to 90 days	253	9	296	9
Less than 30 days	274	9	383	11
Not overdue	1,053	36	1,443	41
	2,901	100	3,486	100

Deposits

	2023 \$ million	2022 \$ million	+ / (-) %
Deposits of non-bank customers	363,770	350,081	4
Deposits and balances of banks	10,884	10,046	8
	374,654	360,127	4

Non-Bank Deposits by Product			
Fixed deposits	149,994	133,415	12
Savings deposits	72,527	69,036	5
Current accounts	104,465	112,245	(7)
Others	36,784	35,385	4
	363,770	350,081	4

Non-Bank Deposits by Currency			
Singapore Dollar	137,641	130,205	6
United States Dollar	121,018	119,527	1
Malaysian Ringgit	20,502	21,278	(4)
Indonesian Rupiah	11,806	11,196	5
Hong Kong Dollar	30,061	26,210	15
Chinese Renminbi	9,803	8,837	11
Others	32,939	32,828	-
	363,770	350,081	4

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 Markets and Insurance.

Profit before Income Tax by Business Segment

	2023 \$ million	2022 \$ million	+ / (-) %
Global Consumer/Private Banking	2,229	1,352	65
Global Wholesale Banking	3,882	2,835	37
Global Markets	39	653	(94)
Insurance	891	681	31
Others	1,360	1,149	18
Profit before income tax	8,401	6,670	26

(1) Comparative figures have been restated with the adoption of SFRS(I) 17.

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 2023 profit before income tax rose 65% to \$2.23 billion, driven by net interest income growth from rise in interest rates, partly offset by higher expenses and allowances.

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 profit before income tax grew 37% to \$3.88 billion in 2023 from \$2.84 billion a year ago. The higher profit was led by net interest income growth and higher income from investment banking activities, partly offset by an increase in expenses and allowances.

Performance by Business Segment (continued)

Global Markets

Global 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 in Global Consumer/Private Banking and Global Wholesale Banking, is reflected in the respective business segments.

Global Markets' profit before income tax was down 94% to \$39 million in 2023 from high funding cost and drop in net trading income, partly offset by higher realised gains from its fixed income portfolio.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 88.4%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH's profit before income tax was \$891 million in 2023, 31% higher from \$681 million in 2022, mainly attributable to improved investment performance in its Shareholders' fund.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was \$636 million in 2023, higher than the \$489 million in 2022.

Others

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

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior years is reclassified to allow comparability.

Performance by Geographical Segment

	2023		2022	
	\$ million	%	\$ million	%
Total income				
Singapore	8,360	62	6,571	58
Malaysia	1,524	11	1,434	13
Indonesia	1,035	8	1,028	9
Greater China	1,774	13	1,558	14
Other Asia Pacific	294	2	251	2
Rest of the World	520	4	444	4
	13,507	100	11,286	100

Operating profit before allowances and amortisation				
Singapore	5,201	63	3,625	56
Malaysia	1,046	13	1,039	16
Indonesia	583	7	588	9
Greater China	904	11	721	11
Other Asia Pacific	212	2	176	3
Rest of the World	338	4	299	5
	8,284	100	6,448	100

Profit before income tax				
Singapore	4,872	58	3,421	51
Malaysia	1,009	12	1,144	17
Indonesia	458	5	366	6
Greater China	1,756	21	1,285	19
Other Asia Pacific	218	3	239	4
Rest of the World	88	1	215	3
	8,401	100	6,670	100

Total assets				
Singapore	343,009	59	321,516	58
Malaysia	60,369	10	63,996	11
Indonesia	22,231	4	21,193	4
Greater China	95,364	16	93,307	17
Other Asia Pacific	22,461	4	20,287	4
Rest of the World	37,990	7	36,625	6
	581,424	100	556,924	100

(1) The geographical segment analysis is based on the location where assets or transactions are booked. The geographical information is stated after elimination of intra-group transactions and balances.

(2) Comparative figures have been restated with the adoption of SFRS(I) 17.

Capital Adequacy Ratios

The Group remained strongly capitalised, with a CET1 CAR of 15.9%, and Tier 1 and Total CAR of 16.5% and 18.1% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2023.