



**Oversea-Chinese Banking Corporation Limited** Annual Report 2007

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## PURPOSE

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

## VALUES

### Customers

We listen to our customers and understand their needs. We build enduring relationships with them by delivering superior products and quality service.

### People

We treat each other fairly and with respect. We support our colleagues and invest in their development to help them realise their full potential. We recognise and reward outstanding performance.

### Teamwork

We, as team members, actively support each other across the organisation as we work towards our common purpose. As individuals, we expect total responsibility from ourselves.

### Integrity

Fair dealing is the basis of our business. We assume everything we do is in full public view.

### Prudent Risk Taking

We are prudent risk takers because our customers rely on us for safety and soundness.

### Effectiveness

We actively invest in infrastructure, process improvement and skills to lower our delivery costs. We do the right things right the first time, on time, every time.

## CORPORATE PROFILE

Singapore's longest established local bank, OCBC Bank, currently has assets of S\$175 billion and a network of over 460 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, Thailand, Vietnam, China, Hong Kong SAR, Taiwan, Brunei, Myanmar, Japan, Korea, Australia, UK and USA. This network includes more than 350 branches and offices in Indonesia operated by OCBC Bank's subsidiary, PT Bank NISP. OCBC Bank and its banking subsidiaries offer a wide range of specialist financial services, from consumer, corporate, investment, private and transaction banking to global treasury and stockbroking services to meet the needs of its customers across communities.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, in terms of assets and market share, and its asset management subsidiary, Lion Capital Management, is one of the largest asset management companies in Southeast Asia. Additional information may be found at [www.ocbc.com](http://www.ocbc.com).

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Dr Cheong Choong Kong  
*Chairman*

Mr Michael Wong Pakshong  
*Vice Chairman*

Mr Bobby Chin  
Mr David Conner  
Mr Giam Chin Toon, S.C.

Mr Lee Seng Wee  
Dr Lee Tih Shih  
Tan Sri Dato Nasruddin  
Bin Bahari

Professor Neo Boon Siong  
Mr Pramukti Surjaudaja  
Dr Tsao Yuan  
(also known as  
Dr Lee Tsao Yuan)  
Col (Ret) David Wong  
Mr Wong Nang Jang  
Mr Patrick Yeoh

### NOMINATING COMMITTEE

Mr Michael Wong Pakshong  
*Chairman*

Dr Cheong Choong Kong  
Mr Giam Chin Toon, S.C.  
Mr Lee Seng Wee  
Col (Ret) David Wong

### EXECUTIVE COMMITTEE

Dr Cheong Choong Kong  
*Chairman*

Mr David Conner  
Mr Lee Seng Wee  
Mr Wong Nang Jang  
Mr Patrick Yeoh

### AUDIT COMMITTEE

Mr Bobby Chin  
*Chairman*

Tan Sri Dato Nasruddin  
Bin Bahari  
Professor Neo Boon Siong  
Dr Tsao Yuan  
Col (Ret) David Wong

### REMUNERATION COMMITTEE

Mr Michael Wong Pakshong  
*Chairman*

Dr Cheong Choong Kong  
Dr Lee Tih Shih  
Tan Sri Dato Nasruddin  
Bin Bahari  
Dr Tsao Yuan

### RISK COMMITTEE

Mr Patrick Yeoh  
*Chairman*

Dr Cheong Choong Kong  
Mr David Conner  
Mr Giam Chin Toon, S.C.  
Professor Neo Boon Siong  
Mr Pramukti Surjaudaja

### SECRETARY

Mr Peter Yeoh

### REGISTERED OFFICE

65 Chulia Street  
#29-00 OCBC Centre  
Singapore 049513  
Tel: (65) 6318 7222 (Main Line)  
Fax: (65) 6533 7955  
Email: [ContactUs@ocbc.com](mailto:ContactUs@ocbc.com)  
Website: [www.ocbc.com](http://www.ocbc.com)

### SHARE REGISTRATION OFFICE

M&C Services Private Limited  
138 Robinson Road #17-00  
The Corporate Office  
Singapore 068906  
Tel: (65) 6223 3036

### AUDITORS

KPMG  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
Tel: (65) 6213 3388

### PARTNER IN CHARGE OF THE AUDIT

Mr Ong Pang Thye  
(Year of Appointment: 2006)

# Let's talk.

Over the past several years we have invested heavily in product innovation and service improvements to differentiate ourselves in the minds of our customers. These efforts have not gone unnoticed, as our existing customers revealed in recent surveys that they are very happy with their banking experience with OCBC. The findings also pointed out that those respondents who don't bank with us are not aware of the great service we provide. That is why our latest advertising campaigns feature the tagline "Ask OCBC" with the "Q" element, communicating an open invitation for potential customers to come and talk to us, and discover how we are transforming OCBC.



Ask OCBC

Let's **hear** you out.





Full-Service  
Sunday  
Banking  
OCBC Bank

We are Open!

# Let's meet on Sunday.

Our customers told us that Sunday is the most relaxing day for banking, where they have more time to think about their investments and savings for their children. In 2006, we introduced Full Service Sunday Banking at five of our branches, offering a full suite of banking services in a unique and fun family-oriented branch environment. Seeing the great response among our customers, we extended Sunday Banking to another five branches conveniently located within shopping malls and next to MRT stations across Singapore. Our customers can now have a quality conversation with us about important financial matters without the hustle and bustle of a typical workday.

Let's **touch** base.





# Let's go shopping.

We pioneered local Supermarket Banking with our partner, NTUC Fairprice, the largest supermarket chain in Singapore. In line with our intention to provide "Simplicity and Good Value Financial Products", we launched *FairPrice Plus Super Account*, a savings account which pays an attractive interest rate and requires no minimum balance. The *NTUC Plus "All-in-One" Card* was subsequently launched, integrating union membership with everyday lifestyle purchases and transportation benefits. With Supermarket Banking, our customers can now sign up for the *FairPrice Plus Super Account* and the *FairPrice Plus Card*, and carry out basic banking transactions via the new "ATM Plus" terminals while shopping for their groceries at FairPrice outlets throughout Singapore.





Let's **talk** business.



# Let's do lunch.

We learned that convenience and simplicity are important to small and medium enterprises (“SMEs”). That is why we launched an instant account opening service in Singapore that requires minimum documentation and provides on-the-spot cheque book issuance. We also extended eAlerts@ocbc, an immensely popular service among our SME customers in Singapore, to our business customers in Malaysia, sending them timely notifications on current account activities via SMS so as to facilitate better management of their cash flow on a daily basis. Going the extra mile, we even bring lunch over to the offices of our SME customers so that they don't have to come to us to discuss business deals.



Let's **look** beyond.

# Let's **venture** together.

OCBC Bank (China) Limited ("OCBC China"), our wholly-owned subsidiary, officially commenced operations on 1 August 2007. With local incorporation, we can now provide a broader range of Renminbi products and services through a larger branch network, serving a wider segment of both corporate and consumer customers in China. Our success on localising our franchise in China is complemented by our ongoing partnership with Bank of Ningbo ("BoN"). We continue to leverage on BoN's local market knowledge and experience by collaborating on joint financing, treasury and trade deals, and by co-developing innovative banking products for our respective customers.



## Letter to Shareholders



“We are working relentlessly to differentiate OCBC from our competitors by focusing on two aspects of service excellence. One is quality; making sure that we deliver with zero defects, on time, all the time. The other involves ensuring the customer experience at OCBC is an exceptional one, which we call “building emotional engagement” with our customers.”

Business and market sentiments changed dramatically during the course of 2007. The upbeat economic and market conditions in the first half gave way to widespread market turbulence and uncertainties in the second half, as the US sub-prime mortgage crisis emerged and spread its contagion around the globe. Singapore banks were not spared, as parts of their investments in collateralised debt obligations (“CDOs”) contained exposures to the sub-prime assets, but these exposures were relatively small and manageable compared to the problems faced by several US and European financial institutions.

In spite of these events, OCBC Group managed to achieve another year of record earnings and robust revenue growth, supported by the healthy economic growth in our key markets. Excluding non-recurring gains, our Group core net profit increased by 30.1% to S\$1,878 million, from S\$1,443 million in 2006. This was our fastest earnings growth since 1999. Return on ordinary shareholders’ equity, based on core earnings, improved

from 11.8% to 13.4%, the highest ROE we have achieved since 1994, and above our New Horizons II target of 12%.

### PERFORMANCE REVIEW

Including a gain of S\$90 million from the divestment of an office property, and tax refunds of S\$104 million received during the year, Group net profit attributable to shareholders was S\$2,071 million. This was marginally above the previous year’s net profit of S\$2,002 million, which had included larger divestment gains of S\$559 million.

Net interest income increased 25.1% to S\$2,244 million, supported by growth in interest earning assets and improved interest margins. Our loan book expanded by 19.0% to S\$72.8 billion, boosted by growth in corporate and SME loans in Singapore and overseas markets. Our housing loans in Singapore also picked up during the second half. Our net interest margin improved by 10 basis points to 2.10% as our cost of funds in Singapore and Indonesia fell faster than asset yields. Non-interest income, excluding

divestment gains, grew 34.3% to S\$1,944 million, with broad-based contributions from fee-based activities, life assurance, foreign exchange dealing and the sale of investment securities.

Our operating expenses increased by 26.2% to S\$1,680 million. Approximately 41% of the expense increase was associated with the Group's overseas business expansion, particularly in Indonesia and China, as well as business volume-related and performance incentive compensation costs. Total staff costs rose 31.1% to S\$946 million on account of higher base salaries, increased variable bonus accruals in tandem with the Group's better performance, and an increase in Group headcount of 18%. Because our revenue grew at a faster rate, our cost-to-income ratio (excluding divestment gains) was 40.1%, slightly lower than the 41.1% in 2006.

As a Group, we provided total allowances of S\$231 million for our investments in collateralised debt obligations ("CDOs") in 2007. Allowances of S\$226 million (US\$153 million) were made for the Bank's US\$181 million investment in asset-backed securities ("ABS") CDOs, which have some exposure to US sub-prime mortgage assets, reducing the carrying value of the portfolio by 85% to S\$41 million (US\$28 million) as at end-2007. Great Eastern Holdings ("GEH") provided an allowance of S\$5 million for the CDOs invested under their shareholders' funds, reducing their carrying value to S\$13 million as at end-2007.

Loan recoveries, repayments, and upgrades resulted in a net write-back of S\$108 million in specific allowances for loans, and there was also a net reversal of S\$87 million in allowances for other assets, mainly office properties in Singapore. As a result, our Group's net allowances for the year remained low at S\$36 million, compared to S\$2 million in 2006.

Our non-performing loans declined by 26% during the year to S\$1,354 million, representing 1.7% of total loans, an improvement from 3.0% in the previous year. Cumulative allowances cover 116.1% of non-performing loans, up from 100.9%.

Our key subsidiaries reported healthy results for 2007. GEH achieved 14.7% increase in its net profit to S\$547 million, underpinned by steady insurance underwriting results in Singapore and Malaysia, strong investment gains and increased contributions from Lion Capital Management. GEH contributed a significant S\$449 million or 23.9% to our Group core earnings, after deducting amortisation of intangible

assets and minority interests. OCBC Bank (Malaysia) Berhad grew its net profit by 18.8% to RM512 million, led by growth in net interest income, Islamic Banking income and fees and commissions. Bank NISP's net profit grew at a moderate 5.5% to IDR 250 billion, as strong revenue growth was offset to some extent by higher allowances and increased expenses related to its rapid network expansion and manpower increase.

#### DIVIDENDS

The Board is pleased to recommend a final tax-exempt dividend of 14 cents per share for ordinary shareholders, bringing the total distribution for financial year 2007 to 28 cents, up from 23 cents paid for 2006. The dividend payout of S\$864 million for the year represents 46% of our core net profit, in line with our target minimum of 45%.

Shareholders will be offered the option of receiving the final dividend in cash, or in the form of convertible Tier-2 subordinated notes which will pay an attractive interest coupon and are convertible to OCBC ordinary shares. We are offering this scheme, which is subject to regulatory approvals, for two main reasons:

- It will help to replace part of our surplus Tier 1 capital with Tier 2 capital. Our capital mix is currently heavily weighted towards Tier 1 capital, the most expensive form of capital from a shareholder perspective. As at 31 December 2007, our total capital adequacy ratio was 12.4% compared to the MAS minimum requirement of 10%, while our Tier 1 ratio was 11.5%, almost double the MAS minimum requirement of 6%.
- It will give shareholders an option to reinvest their dividends in an instrument offering reasonable interest rates, with the right to convert these into ordinary shares at a fixed price.

We expect to announce the interest coupon rate and conversion price for these subordinated notes towards the end of April 2008, and despatch the election forms to shareholders in May 2008.

#### OVERSEAS EXPANSION ON TRACK

While Malaysia still accounts for the bulk of our 35% overseas pre-tax earnings contribution in 2007, our new investments towards growing our Indonesia, China and Vietnam businesses will be important for the Group's longer term growth.

In Indonesia, Bank NISP is expanding its network rapidly to gain nationwide coverage, so that it can grow to become a much larger SME and consumer banking player. With 93 new branches/offices and 148 ATMs added across Indonesia in 2007, Bank NISP had 352 branches and offices and 494 ATMs by year-end, which is triple its network size in 2004 when we first acquired a stake.

In 2007, Bank NISP successfully established a consumer wealth management platform, complete with financial planning tools and a comprehensive suite of wealth products. An exclusive partnership was formed with Great Eastern Indonesia to provide customised bancassurance solutions. These developments contributed to a two-fold increase in its wealth management fee income in 2007. We also continued to help improve the service culture at Bank NISP, rolling out our customer engagement training to more than 3,500 of their staff.

In China, our locally incorporated and wholly-owned subsidiary, OCBC Bank (China) Ltd (“OCBC China”), officially commenced business on 1 August 2007, marking a new growth phase in our long and uninterrupted presence in the country since 1925. With local incorporation, OCBC Bank’s branches in Shanghai, Chengdu, Tianjin and Xiamen have become branches of OCBC China. Headquartered in Shanghai and capitalized at RMB3.5 billion (S\$698 million), our team at OCBC China plans to introduce new products and services denominated in Renminbi and major foreign currencies in phases, aiming to facilitate more seamless cross-border transactions for both individuals and businesses. A first sub-branch in Chengdu was opened in September 2007, and a new main branch in Guangzhou will be operational in the first half of 2008. In addition to the expansion of the branch network, we plan to launch internet banking and an ATM network in 2008.

Even as we pursue organic growth in China, our strategic partnership with Bank of Ningbo (“BoN”) remains an important part of our two-pronged China growth strategy. The partnership complements our other activities in China as we endeavour to leverage on BoN’s local market knowledge and experience to grow OCBC China. Moreover our initial expenditure of S\$119 million to purchase a share in BoN has turned out to be a great investment, following the successful IPO of BoN on the Shenzhen Stock Exchange in July 2007. Our 10.0% stake was valued at S\$1,078 million as at end-

2007, contributing S\$959 million of unrealised gains to our fair value reserves.

In Vietnam, we worked closely with VP Bank to launch its Platinum EMV MasterCard in July 2007, the first credit and debit card issued by the bank. We also initiated several training and technical assistance programmes for them in consumer banking, risk management and technology. With the introduction of new regulations allowing foreign banks to increase their ownership in domestic banks to 15%, we are in discussions with VP Bank to exercise our option to raise our shareholding beyond the current 10%.

#### **DIFFERENTIATION THROUGH CUSTOMER SERVICE**

We are working relentlessly to differentiate OCBC from our competitors by focusing on two aspects of service excellence. One is quality; making sure that we deliver with zero defects, on time, all the time. The other involves ensuring the customer experience at OCBC is an exceptional one, which we call “building emotional engagement” with our customers.

Re-thinking the way we do our business has led to significant investments in product and service improvements to meet the needs of our customers and to create a better customer experience at all our customer touch points. In 2007, we launched supermarket banking, partnering NTUC Fairprice, the largest supermarket chain in Singapore. More than 80,000 *FairPrice Plus* accounts were opened within the first six months after the launch. We also doubled our full service Sunday Banking branches to 10, and we are seeing a much higher level of transactions and account opening on Sundays as compared to weekdays. For small and medium enterprises, we launched an easy-to-open business account with minimum documentation and instant cheque book issuance. As a result, the number of business accounts opened almost doubled from 2006. We have also started to transform our branches with a new design and layout that will enable us to offer a higher level of service, convenience and comfort, and improve the interaction with our customers.

#### **LOOKING AHEAD**

OCBC’s core earnings have nearly tripled over the past five years, from S\$667 million in 2002 to S\$1,878 million in 2007, representing an annual compounded growth rate of 23%. Our five-year New Horizons II strategy from 2006 to 2010 targets earnings per share growth at 10% per annum, and we are

pleased to have exceeded this target in 2006 and 2007, with core earnings per share growth of 13% and 32% respectively.

The growth outlook for 2008, however, will be more challenging. The sub-prime crisis and subsequent credit turmoil has not abated, with financial markets remaining volatile and stock markets correcting sharply at the beginning of the year. While Asian economies are generally in good shape and not significantly exposed to the sub-prime and credit problems, they have not decoupled from the US and cannot escape unscathed from any significant slowdown or recession in the world's largest economy. Another concern is rising inflation, fuelled by higher commodity prices, which poses challenges for central banks around the world.

Against this uncertain outlook, our shareholders can take some comfort from OCBC's strong financial position and our ability to weather such upheavals. We have a solid capital base and enjoy one of the highest credit ratings among Asian banks. Our liquidity and funding position is sound, and we have strengthened our credit processes and risk management capabilities considerably over the years.

Barring a severe recession in the US economy, our key markets are expected to maintain good growth this year, with the Singapore economy projected to expand by 4.0 – 6.0%, Malaysia by 6.0 – 6.5% and Indonesia by 6.0 – 7.0%. The Singapore economy should remain fairly resilient, given the record 237,000 jobs created last year, the solid pipeline of property, infrastructure and integrated resorts projects, the strong inflows of foreign direct investments, and the rising number of tourists and immigrants.



**Cheong Choong Kong**  
Chairman

21 February 2008

Notwithstanding the external uncertainties ahead, we intend to press on, executing our growth strategy with determination and hard work, as we seek to strengthen our businesses and grow our market share in Singapore and overseas markets.

#### **ACKNOWLEDGEMENTS**

Two of our long serving Directors have decided to retire from the Board and will not be seeking re-appointment at the forthcoming Annual General Meeting. Mr Michael Wong has served as a Director since 1989, and as Vice Chairman of the Board since 2002, while Tan Sri Dato Nasruddin Bin Bahari has been a Director since 2000. Tan Sri Nasruddin will continue to serve the Group as Chairman of OCBC Malaysia. On behalf of the Board, we wish to express our deep appreciation to both gentlemen for their distinguished service and many contributions to the Group. Their wisdom and guidance will be greatly missed.

We also wish to commend our management and staff for their commitment and team-work in delivering the Group's strong performance in 2007. Equally important, we thank our customers for their continued patronage, and our business partners and shareholders for their ongoing support.



**David Conner**  
Chief Executive Officer



## Financial Highlights

### Group Five-Year Financial Summary

Financial year ended 31 December	2007	2006	2005	2004	2003
<b>Income statements (\$ million)</b>					
Total income	4,281	3,840	2,887	2,625	2,193
Operating expenses	1,680	1,331	1,145	988	855
Operating profit	2,601	2,508	1,742	1,637	1,338
Amortisation of goodwill and intangible assets	46	44	40	158	127
Allowances for loans and impairment of other assets	36	2	12	77	225
Profit before tax	2,539	2,476	1,706	1,491	1,222
Profit attributable to equity holders of the Bank	2,071	2,002	1,298	1,148	954
Cash basis profit attributable to equity holders of the Bank <sup>(1)</sup>	2,117	2,046	1,338	1,306	1,081
<b>Balance sheets (\$ million)</b>					
Non-bank customer loans (net of allowances)	71,316	59,309	55,134	51,829	48,984
Non-bank customer deposits	88,788	75,115	64,088	57,287	53,460
Total assets	174,607	151,220	134,710	121,935	84,497
Assets, excluding life assurance fund investment assets <sup>(2)</sup>	133,471	113,607	99,615	92,299	84,497
Total liabilities	157,768	136,729	121,223	110,216	74,419
Ordinary shareholders' equity	14,782	12,508	11,442	10,334	9,163
Total equity attributable to the Bank's shareholders	15,678	13,404	12,338	11,230	10,059
<b>Per ordinary share <sup>(3)</sup></b>					
Basic earnings (cents)	65.9	63.4	40.1	35.4	30.0
Cash earnings (cents) <sup>(1)</sup>	67.4	64.8	41.4	40.4	34.1
Net interim and final dividend (cents) <sup>(4)</sup>	28.0	23.0	18.4	12.7	7.6
Net special and bonus dividend (cents) <sup>(5)</sup>	–	–	41.7	–	20.7
Net asset value (\$)	4.79	4.07	3.67	3.27	2.98
<b>Ratios (%)</b>					
Return on average ordinary shareholders' equity	14.76	16.56	11.37	11.30	10.03
Return on average assets <sup>(6)</sup>	1.66	1.92	1.30	1.28	1.13
Dividend cover (number of times) <sup>(7)</sup>	2.35	2.77	2.19	2.75	3.96
Cost-to-income <sup>(1)</sup>	39.2	34.7	39.6	37.6	39.0
Capital adequacy ratio ("CAR") <sup>(8)</sup>					
Tier 1	11.5	13.1	13.2	12.6	12.8
Total	12.4	15.8	17.3	17.7	18.4

<sup>(1)</sup> Excluded amortisation of goodwill and intangible assets.

<sup>(2)</sup> 2004 to 2006 figures were restated for the reclassification of life assurance fund's property, plant and equipment from life assurance fund investment assets.

<sup>(3)</sup> Per ordinary share data for financial years prior to 2005 were restated for the effects of 1-for-5 rights issue and sub-division of one ordinary share of par value S\$1 to two ordinary shares of par value S\$0.50, effected on 18 July 2005 and 5 August 2005 respectively.

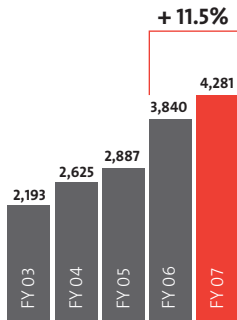
<sup>(4)</sup> For 2007, the final dividend was tax exempt while the interim dividend was net of Malaysia tax. 2006 dividends were tax exempt.

<sup>(5)</sup> 2003 special dividend was announced on 19 March 2003, with an option to elect for Class G Preference Shares, at an issue price of S\$0.995 per preference share. 2005 bonus dividend was announced on 11 May 2005, with an option to elect for the subscription of a renounceable non-underwritten 1-for-5 rights issue in the capital of OCBC Bank.

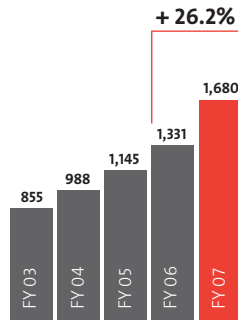
<sup>(6)</sup> The computation of return on average assets does not include life assurance fund investment assets.

<sup>(7)</sup> Dividend cover is the ratio of profit attributable to equity holders of the Bank after deducting preference dividends to net dividends (interim and final dividend, excluding special and bonus dividends).

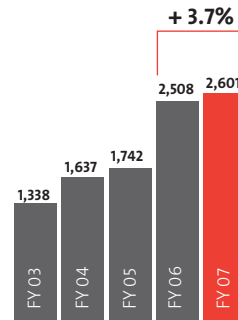
<sup>(8)</sup> The capital adequacy ratio is computed in accordance with the MAS Notice 637 to Banks dated 28 May 2004.



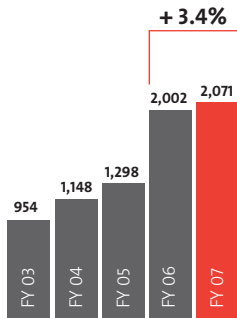
Total Income (\$ million)



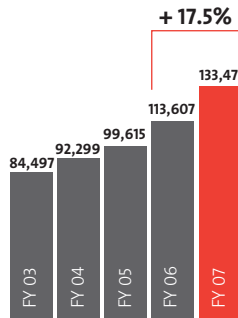
Operating Expenses (\$ million)



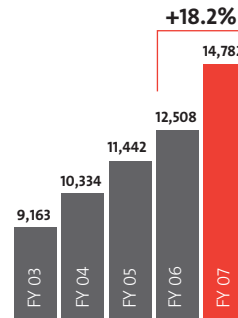
Operating Profit (\$ million)



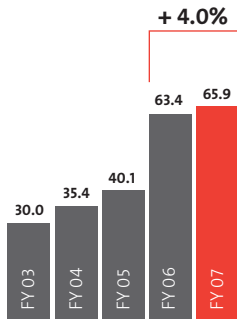
Profit Attributable to Equity Holders of the Bank (\$ million)



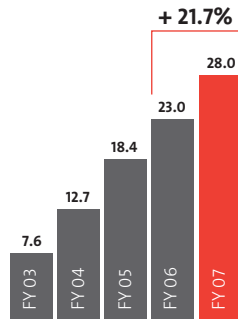
Assets, excluding Life Assurance Fund Investment Assets (\$ million)



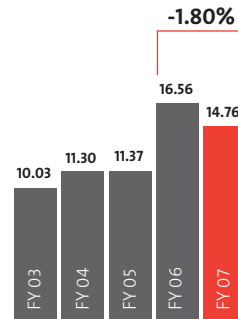
Ordinary Shareholders' Equity (\$ million)



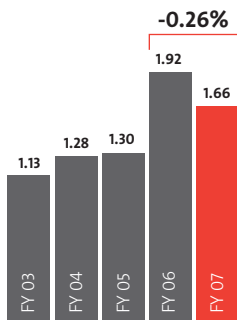
Basic Earnings Per Share (cents)



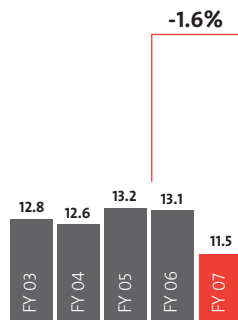
Net Dividend Per Share (cents)



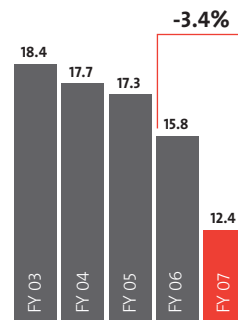
Return on Average Ordinary Shareholders' Equity (%)



Return on Average Assets (%)



Tier 1 CAR (%)



Total CAR (%)

## Board of Directors



**DR CHEONG CHOONG KONG, CHAIRMAN** Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 20 April 2006. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003. Dr Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is now a Director of several companies, including Great Eastern Holdings Ltd. Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and a Ph.D. in Mathematics from the Australian National University. Age 66.



**MR MICHAEL WONG PAKSHONG, VICE CHAIRMAN** Mr Wong Pakshong was first appointed to the Board on 21 April 1989 and last re-elected as a Director on 19 April 2007. On 26 March 2002, he was appointed Vice Chairman. He is presently Chairman of Great Eastern Holdings Ltd, and is a Director of several companies, including The Straits Trading Company Ltd, WBL Corporation Ltd and Bukit Sembawang Estates Ltd. Mr Wong Pakshong holds a Bachelor of Arts with Honours and a Hon. LL.D. from the University of Bristol. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 76.



**MR BOBBY CHIN** Mr Chin was appointed to the Board on 1 October 2005 and elected as a Director on 20 April 2006. He is presently Chairman of Singapore Totalisator Board and serves on the board of various companies, including Neptune Orient Lines Ltd and The Straits Trading Co Ltd. He also serves as a Director of Singapore Labour Foundation, a council member of the Singapore Chinese Chamber of Commerce and Industry, and a member of the Competition Commission of Singapore. Mr Chin was formerly Managing Partner of KPMG Singapore, from which he retired in 2005 after a 30-year career. Mr Chin holds a Bachelor of Accountancy from University of Singapore and is an Associate Member of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Certified Public Accountants of Singapore. Age 56.



**MR DAVID CONNER, CHIEF EXECUTIVE OFFICER** Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 19 April 2007. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, a Commissioner of PT Bank NISP Tbk and a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and Lion Capital Management Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 59.



**MR GIAM CHIN TOON, S.C.** Mr Giam was first appointed to the Board on 1 January 2005 and last re-elected as a Director on 19 April 2007. He is presently Senior Partner of law firm Wee Swee Teow & Co, and a Director of several companies and statutory boards, including Guthrie GTS Ltd and Singapore Institute of Directors. He was appointed Senior Counsel in 1997. He is also the Singapore Ambassador (Non-Resident) to Peru and Singapore High Commissioner (Non-Resident) to Ghana. He holds an LLB (Honours) and an LLM degree from the University of Singapore. Age 65.



**MR LEE SENG WEE** Mr Lee was first appointed to the Board on 25 February 1966 and last re-elected as a Director on 19 April 2007. He was Chairman of OCBC Bank from 1 August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently a Director of several companies, including Great Eastern Holdings Ltd, GIC Real Estate Pte Ltd, Lee Rubber Group of Companies and Lee Foundation. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 77.



**DR LEE TIH SHIH** Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 20 April 2006. He is presently an Associate Professor at the Duke University Medical School in Durham, USA and Duke-NUS Graduate Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore. He is a Director of Lee Foundation and several Lee Rubber Group of Companies. Dr Lee graduated with M.D. and Ph.D. degrees from Yale University; and also holds a Master of Business Administration with Distinction from Imperial College, London. Age 44.



**TAN SRI DATO NASRUDDIN BIN BAHARI** Tan Sri Dato Nasruddin was first appointed to the Board on 13 November 2000 and last re-elected as a Director on 30 March 2005. He is presently Chairman of OCBC Bank (Malaysia) Berhad, Affin Money Brokers Sendirian Berhad and Sumber Petroleum Cemerlang (SPC) Sendirian Berhad. He is also a Director of several companies, including Lingkaran Trans Kota Holdings Berhad (LITRAK), OCBC Advisers (Malaysia) Sendirian Berhad, RB Land Holdings Berhad and The Pacific Insurance Berhad. Tan Sri Dato Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya (Singapore) and a Master of Public Administration from the University of Pittsburgh. Age 70.

## Board of Directors



**PROFESSOR NEO BOON SIONG** Professor Neo was first appointed to the Board on 1 January 2005 and elected as a Director on 30 March 2005. He is presently Director of the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy in National University of Singapore, and serves as a Director of several companies, including Great Eastern Holdings Ltd and Keppel Offshore & Marine Ltd. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D. from University of Pittsburgh. Age 50.



**MR PRAMUKTI SURJAUDAJA** Mr Pramukti was appointed to the Board on 1 June 2005 and elected as a Director on 20 April 2006. He has been with PT Bank NISP Tbk for 19 years and is presently its President Director and Chief Executive Officer. He was a Commissioner of Bank OCBC-NISP from 1997 to 2000. Mr Pramukti holds a Bachelor of Science (Finance & Banking) from San Francisco State University, a Master of Business Administration (Banking) from Golden Gate University and has participated in Special Programs in International Relations in International University of Japan. Age 45.



**DR TSAO YUAN (ALSO KNOWN AS DR LEE TSAO YUAN)** Dr Tsao Yuan was first appointed to the Board on 3 April 2002 and last re-elected as a Director on 19 April 2007. She is presently a Director of Keppel Corporation Ltd and Skills Development Centre Pte Ltd. Dr Tsao Yuan holds a Bachelor of Economics and Statistics with First Class Honours from the University of Singapore and a Ph.D. in Economics from Harvard University. Age 52.



**COL (RET) DAVID WONG CHEONG FOOK** Col (Ret) Wong was first appointed to the Board on 1 August 1999 and last re-elected as a Director on 19 April 2007. He is presently a Director of several companies, including OCBC Bank (Malaysia) Berhad, Ascendas-MGM Funds Management Ltd and LMA International NV. Col (Ret) Wong holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge. He is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore. Age 54.



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**MR WONG NANG JANG** Mr Wong was first appointed to the Board on 1 August 1998 and last re-elected as a Director on 30 March 2005. He is presently Chairman of WBL Corporation Ltd and serves on the board of PacificMas Berhad. He is also a Commissioner of PT Bank NISP Tbk. Mr Wong holds a Bachelor of Arts degree with Honours in Economics from the University of Singapore. Age 68.



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**MR PATRICK YEOH KHWAI HOH** Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-elected as a Director on 20 April 2006. He is presently Chairman of Tuan Sing Holdings Ltd and a Director of several companies, including MobileOne Ltd and Accuron Technologies Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya (Singapore). Age 70.

## Principal Officers



**MR DAVID CONNER, CHIEF EXECUTIVE OFFICER** Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 19 April 2007. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, a Commissioner of PT Bank NISP Tbk and a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and Lion Capital Management Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 59.



**MR TAN NGIAM JOO, GROUP BUSINESS BANKING** Mr Tan was appointed Deputy President in December 2001. In July 2007, he took on the role of Senior Advisor of Group Business Banking to ensure a smooth handover of his responsibilities as head of the division to Mr Samuel Tsien. He retired at the end of 2007. A veteran banker with more than 37 years of banking experience, Mr Tan was the Executive Director and CEO of Bank of Singapore (Australia) for six years. Prior to joining the OCBC Group, he was with a foreign financial institution for 20 years. He is presently Chairman of United Engineers Ltd and Banking Computer Services Pte Ltd and a Director of a number of other companies. Mr Tan holds a Bachelor of Arts from the University of Western Australia. Age 62.



**MR SAMUEL TSIEN, GROUP BUSINESS BANKING** Mr Tsien was appointed Senior Executive Vice President in July 2007 when he joined OCBC Group. As Global Head of Group Business Banking, he has global responsibilities for all corporate and commercial customer relationships in Singapore, Malaysia and other overseas locations. Mr Tsien has more than 30 years of banking experience and has held various senior management roles in corporate banking and risk management at Bank of America. Prior to joining OCBC, he was President and Chief Executive Officer of Bank of America (Asia) and China Construction Bank (Asia) Corporation respectively. He holds a BA (Hons) in Economics from the University of California, Los Angeles (UCLA). Age 53.



**DATO ALBERT YEOH, DIRECTOR AND CEO, OCBC BANK MALAYSIA** Dato Yeoh was appointed Senior Executive Vice President in January 2001. A seasoned banker with more than 31 years of banking experience, Dato Yeoh has headed the Group's Malaysian operations since January 1999. He joined the OCBC Group in March 1996, initially as Director and CEO of OCBC Bank Malaysia and subsequently as Head of Retail Banking, OCBC Bank. He holds a Bachelor of Economics (double major in Economics and Operations Research) from Monash University of Australia, and a Master of Science in Management from the University of Salford, England. Age 58.



**MR ANDREW LEE KOK KENG, GROUP CONSUMER FINANCIAL SERVICES** Mr Lee was appointed Senior Executive Vice President in June 2007. He was appointed Head of Group Consumer Financial Services in June 2005 and is responsible for OCBC Bank's consumer banking business. Mr Lee has 28 years of banking experience in several senior level executive positions, involving strategy, overseeing implementation and setting new standards of banking performance. He holds a Bachelor of Social Science (Honours) from the University of Singapore. Age 55.



**MR LINUS GOH TI LIANG, INTERNATIONAL** Mr Goh was appointed Executive Vice President in April 2004, when he joined the OCBC Group. He heads the International division and is responsible for delivering growth across OCBC's international network. Mr Goh has over 21 years of banking experience, including 17 years at Citibank where he held several senior roles overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from National University of Singapore. Age 45.



**MR NA WU BENG, INTERNATIONAL** Mr Na was appointed Executive Vice President in March 2001. Currently assigned to Bank NISP, he joined its Board of Directors as Deputy President Director in September 2005 with responsibility over risk management. Mr Na joined the OCBC Group in February 1990, and was responsible for the Bank's operations in Hong Kong and North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry (Lanchester) University, UK. Age 51.



**MR LAI TECK POH, CORPORATE MANAGEMENT** Mr Lai was appointed Executive Vice President in January 1988. He is currently in a senior advisory position, working closely with the management of Bank NISP in Indonesia. Prior to that, he had responsibilities for Group Audit, Group Risk Management, IT and Central Operations, Investment Management and Corporate Banking. Mr. Lai has about 40 years of banking experience, including 20 years in Citibank N.A. Singapore with overseas assignments in Jakarta, New York and London. He holds a Bachelor of Arts with Honours from the University of Singapore. Age 63.



**MR GEORGE LEE LAP WAH, GROUP INVESTMENT BANKING** Mr Lee was appointed Executive Vice President in August 2005. Previously Head of Corporate and Institutional Banking and Head of Capital Markets, he currently oversees the Group's debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 25 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 55.



**MR LAM KUN KIN, GROUP TREASURY** Mr Lam was appointed Executive Vice President in January 2007, and oversees the Group's financial market businesses and asset liability management in Singapore, Malaysia and other overseas markets. With over 21 years of treasury experience, Mr Lam has held senior positions in the Government of Singapore Investment Corporation and Citibank N.A. Singapore. Prior to joining the Group, he was managing director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Accountancy with Honours from National University of Singapore and is a Chartered Financial Analyst. Age 45.



## Principal Officers



**MR NEO BOCK CHENG, GROUP TRANSACTION BANKING** Mr Neo was appointed Senior Vice President in April 2005. Previously Head of Cash Management and Financial Institutions Services, he currently oversees the Group's Transaction Banking Division, which provides cash management, trade finance, trustee and nominee services to corporate and SME customers. Mr Neo brings with him more than 18 years of relationship management experience from several foreign banks in Singapore, which include Citibank and Chase Manhattan Bank. Mr Neo holds a Bachelor of Engineering (Civil and Construction) from Nanyang Technological University. Age 43.



**MR SOON TIT KOON, GROUP FINANCE** Mr Soon joined OCBC in 2002 as Chief Financial Officer and was appointed Senior Executive Vice President in April 2007. His responsibilities as CFO include capital management, financial and management accounting, legal and regulatory compliance, and investor relations. He was formerly the Chief Financial Officer of Wilmar Holdings, and Managing Director of Citicorp Investment Bank, Singapore where he worked for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 56.



**MR CHING WEI HONG, GROUP OPERATIONS AND TECHNOLOGY** Mr Ching was appointed Senior Executive Vice President in April 2007. He currently oversees the Group's transaction processing and technology operations. Mr Ching has more than 23 years of experience in regional finance, corporate banking and cash management. Before joining the Group, he was Director of Corporate Finance, Philips Electronics Asia Pacific. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from National University of Singapore. Age 48.



**MR GILBERT KOHNKE, GROUP RISK MANAGEMENT** Mr Kohnke was appointed Executive Vice President and Head of Group Risk Management in September 2005, covering the full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. Jointly reporting to both the CEO and the Board Risk Committee of OCBC Group, he has been leading the change in redefining the risk management approaches used by the Bank in a Basel II world. He has over 19 years of banking experience. Prior to joining OCBC, he was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce and subsequently, Head of European Portfolio Management for CIBC, based in London. He holds a BA in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii. Age 49.



**MR LARRY LAM, GROUP AUDIT** Mr Lam was appointed Executive Vice President and Head of Group Audit in January 2006. He manages the internal audit function of OCBC Group. He has over 20 years of audit experience and was previously Head of Internal Audit of a bank in Singapore since January 1998. Mr Lam holds a Bachelor of Science in Information Systems and a Master of Business Administration, both from California State Polytechnic University. He is a Certified Public Accountant (California) and a Certified Information Systems Auditor. Age 51.



**MRS TENG SOON LANG, GROUP QUALITY & SERVICE EXCELLENCE** Mrs Teng was appointed Executive Vice President and Head of Group Quality and Process Innovation in January 2003. In September 2007, she took on the additional responsibility for Group Quality & Service Excellence. She joined OCBC in 1996 as the Group Chief Information Officer. Mrs Teng holds a Bachelor of Accounting (Hons) and a Master of Science (Computer and Information Sciences) from National University of Singapore as well as a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 57.



**MS CYNTHIA TAN GUAN HIANG, GROUP HUMAN RESOURCES** Ms Tan was appointed Executive Vice President in April 2005. Being Head of Group Human Resources, she is responsible for the management as well as training and development of OCBC's human capital. Ms Tan has over 23 years of experience in this field, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. She was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Master in Business Administration from the University of Hull, UK. Age 57.



**MS LEONG WAI LENG, CHAIRMAN, OCBC BANK CHINA** Ms Leong was appointed Senior Vice President in December 2007. As Chairman of OCBC Bank (China) Ltd, she is responsible for setting the direction for and executing OCBC Bank's growth strategy in China. She has a total of 12 years of banking experience with major international banks and 7 years of corporate experience. Ms Leong had held senior positions in Philips Electronics China Group and HSBC Bank (China) Company Limited. Ms Leong holds a Bachelor of Business Administration from National University of Singapore. Age 42.



**MR VINCENT SOH, GROUP PROPERTY MANAGEMENT** Mr Soh was appointed Senior Vice President in June 2004. As Head of Group Property Management, he is responsible for managing the Group's real estate portfolio. Mr Soh has over 27 years of experience in real estate management, having held senior level positions in public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors, UK. Age 52.



**MR PETER YEOH, GROUP SECRETARIAT** Mr Yeoh was appointed Senior Vice President in January 1997 and Company Secretary in August 2002. Since joining OCBC, he has held responsibilities in finance, accounting and management information services. Mr Yeoh was previously with Price Waterhouse. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia and the Institute of Certified Public Accountants of Singapore. Age 53.



**MS KOH CHING CHING, GROUP CORPORATE COMMUNICATIONS** Ms Koh was appointed Head of Group Corporate Communications in November 2004 and Senior Vice President in April 2006. She leads OCBC Bank's group communications initiatives with the media, employees, customers, shareholders and the general public. Prior to her role in corporate communications, she led the Group's franchise expansion efforts in trade finance in Malaysia. Before this, Ms Koh had 15 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honours in Business Administration from National University of Singapore. Age 40.

# NEW HORIZONS II

New Horizons II is our five-year strategy from 2006 to 2010. It continues on the broad strategic direction and successes of New Horizons (2003 to 2005). The emphasis is on embedding OCBC in the region through a build-and-transfer approach, and on continuing our efforts to build a high performance bank through a balanced scorecard discipline.

## Seek International Growth

We will deepen our market penetration in Malaysia, Indonesia and China and explore opportunities to establish strategic partnerships in Indochina. Our aim is to grow our market share in the consumer and SME segments in Indonesia and China by transferring successful business models and product solutions to existing branches and alliances in the two countries.

## Build a High Performance Bank

### Customers

We aim to sustain our top 3 consumer banking position and become one of the top 3 corporate banks in the combined Singapore-Malaysia market.

### Products

We will build more best-in-class products and strive to become known for product innovation by sustaining 15% revenue contribution from new products annually.

We aim to be one of the top 3 banks for wealth management, credit cards and unsecured lending in the combined Singapore-Malaysia market.

### Risk Management

We will expand our balance sheet proactively to deliver enhanced risk-return, and execute our Basel II implementation plan in line with regulatory guidelines.

We aim to maintain our position as one of the highest rated banks in Asia-Pacific.

### Productivity

We will leverage our cross-border processing hubs in Singapore and Malaysia to deliver further efficiency gains.

We strive to be an efficient, low cost service provider.

### People

We will build people resources with a focus on diversity, cross-border management skill sets and competencies to support our overseas expansion efforts.

We will maintain our share ownership schemes so that all our employees can easily own OCBC shares.

We aim to continually improve employee satisfaction so that we are increasingly recognised as a regional employer of choice.

### Shareholder Value

We aim to deliver 10% earnings per share growth annually, as well as achieve and sustain ROE of above 12%.

We will periodically review our target minimum dividend payout of 45% of core earnings for possible increase.

We will continue to divest non-core assets at the right time and invest the gains in core financial services growth opportunities, and return excess capital to shareholders via share buyback programmes.

# 2007 REPORT CARD

## Customers

- Expanded consumer customer base by 10%
- Maintained No. 1 position in bancassurance business
- Launched Supermarket Banking with NTUC Fairprice
- Remodelled six branches in Singapore and Malaysia to offer improved customer experience
- Expanded ATM network, becoming the second largest in Singapore
- Introduced handicap-friendly "ATM Plus" terminals with new cash-in and out functionalities
- Doubled Full Service Sunday Banking branches to ten
- Expanded SME customer based by 15%
- Increased cross sell ratio for SMEs by 13%
- Introduced instant account opening for SMEs with immediate issuance of cheque books
- Raised profile of offerings with the "Stay Curious" marketing campaign

## Products

- Launched 84 new products which accounted for 11.2% of total revenue
- Launched "Mighty Savers", a distinctive savings programme for young families with children
- Launched 1-hour approval turnaround for EasiCredit Express Cash
- Ranked Best Cash Management Bank in Singapore by Finance Asia and Asiamoney
- Ranked Best Trade Finance Bank in Singapore by Alpha South East Asia and in Malaysia by The Asset
- Ranked first in all Singapore Dollar denominated treasury product categories by Asia Risk End User Survey 2007
- Ranked first in foreign exchange services by corporates and financial institutions in Asiamoney Polls
- Increased number of credit cards in circulation by 17%
- Lion Capital awarded the Edge-Lipper's "Best Fund Group over three years – Mixed Asset Group" and S&P's "Best Fund Group over five years"
- Lion Capital garnered 17 local and overseas awards

## Risk Management

- Implemented Basel II framework from January 2008
- Set up new teams to strengthen portfolio analytics for enhanced credit and market risk management
- Maintained strong credit ratings: Aa1 by Moody's (upgraded in May 2007), A+ by S&P and AA- by Fitch
- Implemented a robust internal control attestation process

## Productivity

- Improved productivity by 26% and reduced unit processing cost by 15% across seven operations factories
- Completed cross-border hubbing for six work streams, with up to 70% of Singapore transactions now being processed in Malaysia

- Executed 10 process improvement projects with S\$11.4 million margin improvement

## People

- Improved employee engagement score by 6%
- Maintained employee shareholding above 30%
- Increased average training days per staff by more than 50% since 2002
- Launched leadership training program for senior executives
- Relocated another 70 employees overseas for cross-border assignments
- Opened a new staff recreation club at OCBC Centre
- Opened a childcare centre, The Little Skool-House, at OCBC Centre

## Shareholder Value

- Improved core ROE to 13.4%
- Increased core EPS by 32%
- Raised net dividend per share by 22% to 28 cents with a payout ratio 46% of core earnings
- Realised S\$90 million non-core asset divestment gains and invested S\$88 million in Bank NISP's rights issue
- Raised S\$225 million of Lower Tier 2 subordinated notes

## Overseas Expansion

### Malaysia

- Obtained regulatory approval to establish an Islamic Banking subsidiary
- Opened a new branch adopting the remodelled format in Damansara

### Indonesia

- Expanded network with 93 new Bank NISP branches and 148 Bank NISP ATMs
- Launched wealth management platform at Bank NISP
- Established exclusive partnership between Bank NISP and Great Eastern Indonesia for bancassurance solutions

### China

- Commenced business as OCBC Bank (China) Limited on 1 August 2007
- Opened two new sub-branches in Shanghai and Chengdu
- Hosted 11 executives seconded from Bank of Ningbo for two years to OCBC Singapore

### Vietnam

- VP Bank launched Vietnam's first MasterCard Platinum EMV card for affluent customers
- Rolled out MasterCard merchant and ATM acquiring businesses and systems at VP Bank

## Operations Review

The regional economic environment was generally positive for most of 2007, particularly in Singapore and Malaysia, and we were pleased to be able to take advantage of the conditions by leveraging on the capabilities we built over the last several years. We expanded our customer franchise and grew our core revenues by 29%, delivering one of the strongest top line growth rates we have achieved in recent years. All our major business segments and geographic markets achieved solid and broad-based growth.

Throughout the year, we achieved a number of successes towards deepening our presence in overseas markets, first through the conversion of our branches to a wholly owned locally incorporated bank in China. We also pursued new opportunities to further expand our existing branch network in Malaysia, where we received approval to establish a wholly owned Islamic Banking subsidiary. Bank NISP expanded its network by adding 93 branches and 148 ATMs and we invested another S\$88 million to add to their capital base. In Vietnam, we are currently seeking government approval to raise our stake in VP Bank from 10% to 15%.

We continued our relentless drive to differentiate OCBC from our competitors through service excellence. In line with our goals to deliver quality and a superior customer experience across all our customer touch points, we launched a series of product and service initiatives as a result of insights gained through researching customer needs. In the long run, we believe that our commitment to service excellence and our continuous improvement efforts along that front will help build a sustainable competitive advantage for OCBC.

### CONSUMER FINANCIAL SERVICES

Revenues and pre-tax profit from our consumer business grew 20% and 32% to S\$1.2 billion and S\$631 million respectively in 2007. These results were underpinned by our growing customer franchise in the key markets of Singapore and Malaysia and the robust economic growth in these countries. We grew our consumer customer base by 10% in 2007, after attaining 7% growth in 2006. Consumer deposit growth and higher loan spreads led to a strong increase in net interest income, while fee income growth was strong and broad-based.

We launched several major customer initiatives during the year, resulting from our focus on deploying customer insights to drive service innovation and excellence. Supporting the main thrust of our service excellence drive is our in-house-developed service training programme, which we call "Building Emotional Engagement" with customers or BEE. More than 2,200 employees were trained across Singapore and Malaysia in 2007, and 4,700 employees have been trained to-date. We also launched our "Stay Curious" television commercials and print ads in the fourth quarter of 2007 in order to build more

awareness of how OCBC is transforming into a more customer oriented bank with high service standards.

In July, we unveiled our new and innovative branch design in Singapore and Malaysia, which is aimed at maximising customer interactions and sales opportunities as well as creating a differentiated customer experience. The new look incorporates a more contemporary layout, integrated merchandising displays, digital marketing stations and new staff uniforms, underpinned by improved service and delivery processes. We re-modelled six branches in Singapore and Malaysia in 2007, and now plan to complete the transformation of the entire branch network by 2009. Our customers reacted positively to the new branches with over 70% of those surveyed giving the new design their thumbs up.

We also doubled our Sunday Banking service from five to ten branches in Singapore in June, following the overwhelmingly positive customer response since the service was first introduced in November 2006. All our Sunday Banking branches were carefully selected for their regional spread and convenient locations within shopping malls and next to MRT stations. To enhance the banking experience, customers

## Operations Review

are treated to an array of family-based events and leisure activities. Through this initiative, we have been successful in attracting more customer traffic and increased new account openings along with higher transaction volumes.

Our collaboration with the National Trades Union Congress (NTUC) reached another milestone in April, when we launched “supermarket banking” by joining forces with NTUC Fairprice, the largest supermarket chain operator in Singapore. Our collaborative effort, offering simple, transparent and good value financial products with the convenience of seven-days a week shopping hours and “round the corner” locations of Fairprice supermarkets and hypermarkets, is the first such venture in this region.

The maiden product under this initiative, the *FairPrice Plus Super Account*, combines a credit or debit card with an attractive-interest savings account. We received good responses from Fairprice shoppers, with over 80,000 accounts opened within the first six months after the launch. We then enhanced the offering by launching the *NTUC Plus Card* in November, an “all-in-one card” which combines an NTUC membership and rewards card with an EZ-Link card for public transport, and a Visa credit/debit card for payments.

With the *FairPrice Plus* initiative, we also added 57 new generation ATMs to our fleet, allowing cash and cheque deposits, in addition to cash withdrawals, at Fairprice outlets. As a result, our ATM network is now the second largest in Singapore.

Our collaboration with local universities, NTU and SMU, has also fared well, with a debit card penetration rate of more than 50% among their respective student bodies. This success story is largely the result of engaging small groups of students to develop and execute the value propositions for the various product programmes.

We strengthened our engagement with retailer Robinsons through the renewal and expansion of our co-brand card partnership agreement. The *OCBC Robinsons Visa Platinum* credit card was launched in Malaysia in September, followed by the Singapore launch in December. Response to the Malaysia launch was enthusiastic, with more than 100,000 cards issued within three months. We also introduced a cross-border rebate programme for cardmembers for purchases made in the Robinsons group of stores in Singapore and Malaysia.

With the various card initiatives and stepped-up marketing and promotional campaigns, our credit card base in Singapore and Malaysia grew by 17%, with a whopping 43% increase in Malaysia. Credit card billings grew by 14% in Singapore and 10% in Malaysia.

Our wealth management business also fared well during the year. Unit trust sales were higher in Singapore and Malaysia as a result of our new product launches combined with positive investor sentiment towards the equity markets. Our combined wealth management sales in Singapore and Malaysia grew 20%, while wealth management fee and commission income increased 27% to S\$163 million. We garnered subscriptions of more than S\$200 million for two new unit trusts launched by Lion Capital – the *Lion Capital Multi-Income Fund* and *Lion Capital Vietnam Fund*. We maintained our number one bancassurance position in Singapore with a market share of 41%, up from 39% in 2006.

We also continued to leverage on our strategic relationship with Great Eastern to cross-sell more products to our combined customer base. Great Eastern policyholders can now pay their insurance premiums through OCBC credit cards. This successful initiative resulted in 155% increase in insurance billings from Great Eastern Singapore, generating over S\$25 million worth of cardmember sales within the initial three months promotion period. In Malaysia, more than 15,000 policyholders signed up for the OCBC-GE co-brand credit card. In addition, Great Eastern’s agency force contributed 8% of our Malaysia mortgage sales during the year.

OCBC continued to be an active player in the home loans market. As a result of the buoyant property market, our private home loan approvals in Singapore more than doubled compared to 2006. Adding to the wide range of home loan financing packages that we offer in the form of fixed rate, variable rate or a combination of fixed/floating rates, we introduced packages that are pegged to the Singapore Dollar Swap Offer Rate to provide even more flexibility to our customers.

During the year we won several awards for our channel management and service excellence. Our Singapore Contact Centre clinched five awards in the four categories for which we were nominated at the *Singapore Contact Centre Association’s* Inaugural International Contact Centre Awards, including the Gold Award for Best Contact Centre

## Operations Review

of the Year in the corporate category. Our achievements for the innovative use of our ATM, Internet and mobile banking channels were recognized by *The Asian Banker*, with awards for the Best Multi-Channel Implementation 2007 and Excellence in Multi-Channel Distribution 2007.

### BUSINESS BANKING

Group Business Banking achieved revenue growth of 22% to S\$1,373 million, while pretax profit grew 27% to S\$998 million. This performance was propelled by strong loan growth and higher fee income mainly from treasury and investment banking products. Loan growth was broad-based among the large corporate and small and medium enterprises ("SME") segments, both in Singapore and Malaysia. Overseas markets also registered healthy growth as our customers built their regional presence, particularly in China and Indonesia. Our SME customer base grew 15% and we continued to maintain a robust cross-sell ratio for business customers across our franchise.

In Singapore, loan demand was driven by the strong economic environment, the buoyant property market, the construction of the two integrated resorts and the boom in the oil and gas sector. We achieved good loan growth in several sectors including marine engineering, transportation and logistics, and real estate development and investment.

The continued success of our cross-sell efforts resulted in the bank clinching several investment banking mandates including that of the co-lead underwriter for the S\$2.2 billion rights issue of Genting International, the joint lead manager for GuocoLand's three- and five-year convertible bond issues totalling S\$690 million, and the lead arranger and book runner role for the S\$748 million syndicated term loan to fund the acquisition of Temasek Tower. In Malaysia, our Business Banking team again achieved double-digit revenue and loan growth. Major financing mandates included the RM650 million loan syndication for Malaysia Newsprint Industries and the syndicated financing of RM1.2 billion for Pantai Irama Ventures.

Several key initiatives were launched in Singapore and Malaysia to provide innovative and differentiated services for our SME customers. These initiatives were well received, contributing to the increase in our SME customer base.

In Singapore, we launched an instant account opening service with on-the-spot issuance of cheque books, targeted at sole

proprietorships and partnerships. The *Business Entrepreneur Account* is a Singapore Dollar current account for start-up companies and it comes with unlimited free cheques and special rates for GIRO transactions via our award winning *Velocity@ocbc*. The *Business Smart Account* is an interest bearing US Dollar current account whereby customers can opt to receive regular updates of their account and transaction status via SMS or e-mail notification through *e-Alerts@ocbc*.

We increased our popular *Quick Cheque Deposit* facilities in Singapore from 5 to 12 locations at selected Shell and Caltex petrol stations and industrial buildings. The *Quick Cheque Deposit* facility provides added convenience to our business customers to deposit their company cheques without having to visit our branches.

In Malaysia, we launched a similar offsite banking facility, called *Easi-CheckDrop*, enabling our customers to bank in cheques at five selected Petronas service stations in the Klang Valley. We also launched *Easi-BizCard*, a dedicated ATM card for SME customers giving them the convenience of withdrawing cash via our ATM network at 29 branches across East and West Malaysia. Another new service was *Easi-Alerts*, similar to the *e-Alerts@ocbc* which was implemented in Singapore a year earlier.

### TREASURY

2007 was an exceptional year for our Treasury businesses. Our team achieved very strong financial results in spite of the difficult markets stemming from the global sub-prime crises. They also implemented a number of new strategic thrusts that will position OCBC to leverage on the burgeoning financial markets in Asia and the increasingly sophisticated demand of our customers.

Group Treasury achieved sterling results, with revenue rising 72% to S\$448 million and pre-tax profit up 77% to S\$313 million. The performance was led by higher revenues from diversified products across interest rate, foreign exchange, equity and derivatives. Our overseas treasury centers, particularly Malaysia, also showed good revenue momentum on the back of our increased focus towards maximising the Bank's onshore presence in targeted Asian countries.

On the customer front, we continued to receive awards and accolades in recognition of our strengths in product breadth, product innovation and customer service. In the *Asia Risk End*

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*User Survey 2007*, we were ranked first in all six Singapore Dollar denominated treasury products, including Interest Rate Swaps, Interest Rate Options, Currency Options and Cross Currency Swaps. OCBC was also ranked among the top 3 in three categories of Ringgit denominated treasury products. In the *Asiamoney 2007 Polls*, we were named Best Domestic Provider of Forex Services by financial institutions, as well as Best for Innovative Forex Products and Structured Ideas and Best Forex Prime Broking Services by corporates.

### INVESTMENT BANKING

Our Corporate Finance team had a busy year with several major transactions. We sponsored Lippo-Mapletree Trust's IPO, the first Indonesian retail REIT in Singapore with a S\$1 billion portfolio. We were bookrunner for Golden Agri-Resources' S\$800 million placement, and co-lead underwriter for Genting International's S\$2.2 billion rights issue which was to help fund its Integrated Resorts project on Sentosa Island. We also sponsored two China IPOs on the SGX.

OCBC Bank topped the *IFR Asia* Singapore syndicated loans league table with 13 non-domestic deals amounting to US\$2.1 billion, capturing 25% and 19% market share, respectively, of the number and value of deals. We were named Singapore Loan House of the Year for 2007 by *IFR Asia*. We were also ranked as the number two bookrunner for Singapore Dollar bonds for domestic corporates, with 32 issues amounting to S\$1.7 billion. Our Capital Markets team lead-managed the Bank's maiden Lower Tier 2 issue of S\$225 million Subordinated Notes, and executed the S\$510 million notes issuance for Morgan Stanley, one of the single largest Singapore Dollar denominated issue by a foreign corporate in 2007.

In Malaysia, we maintained our strong position in loan syndication with a multi-tranche RM1.2 billion acquisition financing for Pantai Irama Ventures, which involved the privatisation of Pantai Holdings. Another landmark transaction was the US\$169 million project financing for Zelan Consortium for the construction of an Indonesian power project. This was the first US Dollar loan syndication which combined conventional and Islamic financing principles into one syndication package, facilitating participation by a domestic bank, an offshore bank and a Middle Eastern Islamic bank. We acted as Lead Arranger for Bandar Raya Developments' RM100 million bonds with detachable provisional rights to warrants, the first equity-linked

transaction launched in Malaysia for 2007. Our Capital Markets team also successfully arranged OCBC Malaysia's RM400 million issue of Lower Tier 2 subordinated debt.

Our Mezzanine Capital Unit's efforts in funding pre-IPO companies bore fruit as several of them, including China-based companies Dutech, Z-Obee and China XLX Fertilizers, were listed on the SGX. The unit also participated in several secondary issues for listed companies and stepped up its overseas marketing initiatives in China and Hong Kong.

### TRANSACTION BANKING

In 2007 OCBC was again recognised as a leading provider of best-in-class cash management products and services in Singapore and Malaysia. Our focus on improving products and services to make banking simpler and more convenient for corporate customers, especially SMEs, gained good traction. The customer base for *Velocity@ocbc*, our flagship business internet banking platform, increased by 44% in Singapore and doubled in Malaysia, while online transaction volumes rose by 18% in Singapore and more than tripled in Malaysia. We were awarded the 2007 Best Cash Management Bank in Singapore by *Finance Asia*, and in the *Asiamoney 2007 Cash Management Poll*, we were voted by corporates as the Best Cash Management Bank in Singapore for all three categories – small, medium and large corporates.

In Singapore, our Transaction Banking team worked closely with our Business Banking relationship managers to launch the *Business Entrepreneur Account* and *Business Smart Account*, enhance our *eAlerts@ocbc* service and expand the number of off-site *Quick Cheque Deposit* locations. Similarly in Malaysia, both teams co-operated to provide our corporate customers with greater convenience with the launch of the *Easi-Bizcard*, *Easi-Alerts* and *Easi-CheckDrop*.

Our trade finance business in Singapore and Malaysia grew strongly, with transaction volumes increasing by 30% and 28% respectively. To assist our corporate customers to better understand the revised Uniform Customs and Practice for Documentary Credits Publication (UCP), we organised various trade workshops in Singapore and Malaysia on the changes to international trade practices with the implementation of UCP600. Resources were channelled to re-engineer and streamline our trade finance processes and infrastructure based on customer insights to deliver best-in-class service standards. As a



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result, our customers in Singapore are assured of one day turnaround time for most of our trade products.

We were awarded Best Trade Finance Bank in Singapore by *Alpha South East Asia* and Best Trade Finance Bank in Malaysia by *The Asset* in 2007.

### MALAYSIA

OCBC Malaysia had another year of strong operating results and market share gains. Net profit grew 19% to RM512 million (S\$223 million), while operating profit before allowances increased 15% to RM763 million, driven by growth in net interest income, Islamic Banking income and non-interest income. Total assets rose 15% to RM42 billion, while customer loans grew 14% to RM27 billion, driven largely by Business Banking loans especially in the SME segment.

We opened a new branch at Bukit Damansara, Kuala Lumpur, increasing our network to 29 branches across Peninsula and East Malaysia. In addition, we relocated one of our Ipoh-based branches to Taman Molek in Johor to tap further into the economic viability of the Johor region and to reduce the duplication of services in Ipoh. The Bukit Damansara and Taman Molek branches were the first in Malaysia to carry our new branch design under the branch transformation initiative.

Our Islamic Banking division continued its robust growth, with revenue increasing by 58% to RM82 million. As at end-2007, the division had RM3.7 billion in assets, RM2.8 billion in customer deposits, and RM1.8 billion in outstanding financing, representing growth rates of 16%, 7% and 11% respectively. During the year, we launched Malaysia's first Shariah-compliant equity-linked structured investment product, and also introduced an internet and ATM *zakat* (Muslim tithe) contribution service, becoming the first foreign bank to simultaneously offer both channels for Muslim customers to fulfil their tithing obligations. We continued to participate in a variety of exhibitions and forums to promote Islamic Banking and, as in the past twelve years, contributed *zakat* in line with the Syariah principle of providing for the poor and needy in society.

Perhaps the most exciting news for our Islamic banking future was the in-principle approval received from Bank Negara Malaysia to carry on Islamic Banking business under the Islamic Banking Act 1983 (IBA) and to establish a wholly owned Islamic Banking subsidiary under section

29 of the Banking & Financial Institutions Act 1989. Under the IBA licence, we will be permitted to conduct the full range of Shariah-compliant universal banking business, including Islamic hire-purchase and corporate finance activities. This approval is a major step forward in developing OCBC Bank into a one-stop centre for Islamic Banking.

To diversify and strengthen our Tier 2 capital to support ongoing business expansion, we successfully raised RM400 million of Lower Tier 2 redeemable subordinated bonds in November. The bonds are rated AA2 by RAM Rating Services Berhad ("RAM"). Concurrently, RAM Ratings has also revised the outlook on all the long-term ratings for OCBC Malaysia from stable to positive, an endorsement of the improving trend in our credit fundamentals and our enhanced risk management capability.

### CHINA

OCBC Bank (China) Ltd ("OCBC China"), our wholly-owned subsidiary, officially commenced business on 1 August 2007, marking a new growth phase in our long and uninterrupted presence in China since 1925. With the local incorporation, OCBC Bank's branches in Shanghai, Chengdu, Tianjin and Xiamen have become branches of OCBC China, and all related customer accounts and dealings have accordingly been transferred to OCBC China.

As a locally incorporated bank, we can now provide a wider suite of products and services to a wider segment of customers, including affluent and mass affluent customers, SMEs, and corporate and institutional customers. Headquartered in Shanghai and initially capitalized at RMB3.5 billion (S\$698 million), OCBC China plans to introduce new products and services denominated in Renminbi and major foreign currencies in phases to facilitate more seamless cross-border transactions for both individuals and businesses. Having obtained regulatory in-principle approval for a RMB retail licence in February 2008, we plan to conduct Renminbi businesses with Chinese local residents in the first half of 2008, upon completing all regulatory procedures.

In retail banking, we are progressively introducing RMB-denominated products, including mortgages, wealth management and investment solutions as well as various deposit products to target the mass affluent customers. We will also introduce premier banking services for customers with deposits or investments of above RMB500,000.

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In order to offer customers more banking convenience, we plan to selectively expand OCBC China's branch network. OCBC China opened new sub-branches in both Shanghai and Chengdu in the fourth quarter of 2007. A new main branch in Guangzhou will be operational in the first half of 2008, and approval has also been received to prepare for the establishment of a main branch in Beijing. In addition to the expansion of the branch network, we plan to launch internet banking and an ATM network in 2008.

Our business banking customer base in China continued to grow as we expand our reach to companies from the greater China region, in addition to our traditional network customers from Singapore and Malaysia. We also increased our SME portfolio in the Yangtze Delta, especially to customers from Taiwan. A real estate desk was established in order to better serve our real estate customers in China.

With the local incorporation, we are increasingly focusing on developing relationships with Chinese corporates and SMEs. Leveraging on our strong regional network, we have made good progress in the trade finance business and Singapore Dollar account clearing business. Going forward, we will focus on expanding our customer base in trade finance, and we will also continue to explore business opportunities with targeted non-banking financial institutions.

### INTERNATIONAL

Revenue from OCBC's international branch network in the 12 countries outside of Singapore, Malaysia and China grew by 37%, driven by corporate banking and the financial institutions business. In Indonesia, China and Vietnam, we continued to invest in training and capability transfer programmes with our subsidiary Bank NISP and strategic partners Bank of Ningbo and VP Bank. Our collaborative efforts are largely centred on consumer banking, cross-border financing, capital markets, and treasury-related initiatives.

#### Bank NISP, Indonesia

Our subsidiary Bank NISP delivered healthy growth, with its total assets increasing by 20% to Rp 28.9 trillion, propelled by 22% growth in loans. Overall revenue grew 35%, but this was partially offset by higher expenses and allowances, resulting in net profit rising by 5.5% to Rp 250 billion (S\$38 million).

Bank NISP continued to make substantial investments during the year, including the replacement of its core banking system and opening of 93 new branches and offices and 148

ATMs across Indonesia to better serve its growing SME and consumer customer base. Over the past four years, Bank NISP's network size has tripled, to 352 branches and 494 ATMs as at the end of 2007. Its headcount rose 24% in 2007 to 5,367.

We continued to work with Bank NISP management to broaden their product suite, and to share our experience in the areas of product management, marketing, branding and channel delivery. Bank NISP successfully established a consumer wealth management platform, complete with financial planning tools and a comprehensive suite of wealth products. They also formed an exclusive partnership with Great Eastern Indonesia to provide customised bancassurance solutions for Bank NISP customers. These developments contributed to a two-fold increase in the Bank's wealth management fee income in 2007. In Business Banking, we are working together with the Bank NISP team to redesign their business models to achieve greater efficiency and scalability, with the first project for the small enterprise business rolled out in the fourth quarter.

To help build a service excellence culture, we conducted our BEE customer engagement training programme for Bank NISP staff, and to-date more than 3,500 staff have been trained. We also trained 50 staff on Quality tools and concepts and helped set up a Quality function at Bank NISP.

#### Bank of Ningbo, China

Bank of Ningbo ("BoN") successfully launched its IPO on the Shenzhen Stock Exchange in July, becoming one of the first two city commercial banks in China to be publicly listed. OCBC remains as its second largest shareholder after the Ningbo Financial Bureau, with our initial 12.2% stake diluted to 10%, post listing. The sterling performance in BoN's share price meant that our initial S\$119 million investment in 2006 has increased in value to S\$1,078 million by the end of 2007.

BoN opened a branch in Shanghai in May, making it the third city commercial bank in China to establish a branch outside its home city. It has also received regulatory approval to expand its branch network nationwide and will focus on establishing new branches in the provinces of Jiangsu and Zhejiang.

Operationally, BoN continued to perform strongly with net profit increasing 50% to RMB 948 million (S\$187 million). Loans grew 30%, while asset quality remained strong with an NPL ratio of 0.4%.

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Our partnership with BoN complements our other activities in China as we endeavour to leverage on BoN's local market knowledge and experience to grow OCBC China. We are collaborating in joint deals with BoN, particularly in cross-border financing, investment banking, treasury and trade, and co-development of new products for consumer banking and treasury is in progress. Further, we have kicked off a five-year leadership development programme for BoN, with the first batch of 11 mid-level executives from BoN seconded to OCBC Singapore for two years.

### VP Bank, Vietnam

We worked closely with VP Bank to launch its MasterCard Platinum EMV Card in July, which is the first Platinum credit and debit card and the first EMV chip card in Vietnam. We also initiated several training and technical assistance programmes in consumer banking, risk management and technology for VP Bank.

With the introduction of new regulations by the State Bank of Vietnam allowing foreign banks to increase their ownership in domestic banks to 15%, we have applied for government approval to exercise our option to increase our shareholding in VP Bank from the current 10% to 15%.

### OPERATIONS & TECHNOLOGY

Service differentiation, cost and productivity were the keywords for our Operations & Technology division in 2007. Against the backdrop of record transaction volumes being processed in Singapore and Malaysia, we achieved productivity gains of 26% and unit cost reductions of 15% across seven product processing factories. In addition, the Accounts Services, Cards and Treasury processing factories in Singapore achieved productivity gains of more than 30% and unit cost reductions of more than 15%.

As part of our cross-border hubbing initiative, we commenced hubbing of two additional work streams into Malaysia, bringing the cumulative total to six, with up to 70% of Singapore transactions for these work streams now being processed in Malaysia. We estimate the 10-year cost savings to be more than S\$100 million. With the stronger wage and other cost pressures experienced in Singapore over the past two years as compared to Malaysia, we have reaped greater cost savings than initially expected when we commenced the hubbing project in 2005.

With their on-going process re-engineering initiatives, our Operations & Technology team continued to achieve significant service improvements for our customers. For example, our GIRO application process was streamlined, reducing the turnaround time by 63%, while average processing time for the issuance of credit cards was shortened by 70%.

Key technology projects and highlights for the year include the following:

- Implementation of a new core banking system and a treasury system at OCBC China to support its growing business.
- Deployment of a new state-of-the-art core banking system for overseas branches in Hong Kong, Taiwan, Thailand, Korea, Japan and the UK.
- Deployment of an extended network of new generation ATMs in Singapore to support our *FairPrice Plus* supermarket banking initiative.
- Roll-out of additional modules to our new treasury system to support more complex treasury products.
- Deployment of a new enterprise data warehouse to support the Basel II programme and our management information systems.

### QUALITY & SERVICE EXCELLENCE

We have made encouraging progress in our New Horizons II strategic intent to differentiate OCBC through service excellence. Independent customer research shows that these initiatives are beginning to have a positive impact on customer loyalty, affirming that we are making a difference in the market place.

To build on the progress we have made on both the physical and emotional dimensions of service excellence, a new division, Group Quality & Service Excellence, was formed in September. This division is chartered with the responsibility to drive a bank-wide service excellence transformation agenda so that our customers enjoy a deliberate and differentiated OCBC service experience that is based on care, excellence and enhanced value, delivered consistently across all touch points.

To cultivate the right service mindset and behaviour, over the past two years we have implemented our BEE training and certification programmes for front-line as well as support staff across Singapore and Malaysia. Our improved service standards have not gone unnoticed by our customers,

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and are evident from our annual Customer Engagement Score which has been steadily climbing over the years, as determined by an independent customer research firm.

In 2007 we executed another 10 cross-functional process improvement projects, yielding an estimated S\$11 million in margin improvements. With the encouraging results from more than 30 major process improvement initiatives to-date, we are transferring and localising many of these improvements to our Malaysia and Indonesia operations.

### PROPERTY MANAGEMENT

Our investment properties, located mainly in Singapore with an aggregate of approximately two million square feet of net lettable area, are actively managed to optimise rental returns and capital values. Our office and residential properties continued to perform well in 2007, achieving full or near full occupancy.

We have completed the renovation programme for our head office buildings, OCBC Centre and OCBC Centre South, having upgraded the common areas, interior amenities and engineering services. The surrounding areas have also been enhanced to include a landscaped garden and additional landscaping and water features around the renowned Henry Moore sculpture.

In early 2007 we sold our entire interest in the strata titled space at Samsung Hub, an office building located at Church Street, for S\$122 million, realising a net gain of S\$90 million.

### HUMAN RESOURCES

Including Bank NISP and Great Eastern Holdings, we have a combined staff strength of 18,676 as at end-2007, an increase of 18% from 2006. Most of the increased headcount was from our overseas markets, including Malaysia, Indonesia and China, reflecting our New Horizons II strategy to build growth platforms overseas even as we strengthen our market share in our home market.

We continue to focus on providing learning and career development opportunities for our employees, as well as improving overall employee satisfaction to further establish OCBC as a regional employer of choice. Our employee satisfaction score rose 6% from the previous year, making it the fifth consecutive year of improved scores. Our new learning centre, The *Learning Space@OCBC* is now the heart

of our training activities for employees. Average training man-days per employee in 2007 has increased more than 50% since 2002, and was well above our target of five man-days. Our employee share ownership schemes have contributed to 31% of our bank employees being OCBC shareholders (including the share options and deferred shares) at end-2007, which is in line with our target of 30%.

Our recruitment efforts in 2007 have been geared towards building a pool of international talents with global mobility for our overseas expansion. In recent years we have intensified our talent attraction and management initiatives with overseas recruitment drives and the launch of in-house executive development and mentoring programmes. We participate in various campus events in Singapore, Malaysia, China, Australia, the Philippines, the UK and the US. Our Management Associate Programme, launched in 2004, has seen a significant increase in number and diversity, with the 2007 cohort made up of 11 nationalities. A new programme to develop and train our future leaders – the *OCBC Executive Development Programme* – was launched in April.

Promoting a healthy work culture and work-life balance is an important part of our human resource policy. A new *Recreation Club@OCBC* was set up for our Singapore employees at the head office building. We opened our own in-house childcare centre, The *Little Skool-House* at *OCBC Centre*, to provide child care support services for our employees, a first among financial institutions in Singapore.

As a testament of our continuous efforts and commitment in promoting healthy work-life at OCBC, we were conferred the Leading HR Practices in Quality Work Life at the *Singapore Human Resources Awards* in 2007.

## Corporate Social Responsibility

Our Corporate Social Responsibility programme focuses on helping children and young adults realise their full potential.

In Singapore, we continue to actively support our partner charity, the Singapore Children's Society ("SCS"). Apart from our donation of S\$2.5 million over five years, many of our employees also volunteered their time and skills to help the children and young adults in various activities. The young adults put their learning into practice on 6 December 2007 when 28 of them from SCS played entrepreneurs by selling their handicrafts at an OCBC Christmas Bazaar. These young adults managed all aspects of their respective stalls, from fixing the selling prices, to collecting money and issuing receipts.

We also continue to contribute to the NTUC Childcare Bright Horizons Trust Fund to help raise the literacy level of children from less privileged backgrounds. Apart from our donation of S\$450,000 over three years, we made an

additional contribution of S\$250,000 in 2007, bringing our total commitment to S\$700,000.

We offer a total of four types of bond-free scholarships, helping young adults from Singapore, Malaysia, Indonesia and China, the four core markets of OCBC Bank, pursue higher education in Singapore. Another two types of scholarships are offered to help outstanding young adults in Malaysia pursue their studies locally.

In China, we committed to donate RMB 1.5 million (S\$300,000) over six years to the Soong Ching Ling Foundation. The funds, disbursed through the Soong Ching Ling Scholarship ("SCLS") under the SCLS-OCBC Fund, will help about 200 outstanding children from less privileged backgrounds across China pursue their studies.



**Our support to the Singapore Children's Society extends beyond monetary donations. Staff volunteers are also involved in various activities with the children, including activities imparting character-building and life learning skills.**

## Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005 and corporate governance guidelines issued by the Monetary Authority of Singapore (“MAS”), as well as with the Code of Corporate Governance 2005 (the “Code”) adopted by the Singapore Exchange Securities Trading Ltd (“SGX-ST”).

### BOARD OF DIRECTORS

#### Board Composition and Independence

OCBC Bank defines the independence of its Directors in accordance with the Banking (Corporate Governance) Regulations 2005 and with the Code. An independent Director is one who is independent from any management and business relationship with the Bank, and independent from any substantial shareholder of the Bank. The Board comprises 14 Directors, of whom, a majority or eight are independent Directors. They are Mr Bobby Chin, Mr Giam Chin Toon, Tan Sri Dato Nasruddin Bin Bahari, Professor Neo Boon Siong, Dr Tsao Yuan, Col (Ret) David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh. In addition, another three Directors are independent from management and business relationships. They are Mr Michael Wong Pakshong, Mr Lee Seng Wee and Dr Lee Tih Shih. Altogether, a significant 11 out of the 14 Directors are either independent Directors or independent from management and business relationships. The Chairman, Dr Cheong Choong Kong, although a non-executive Director, is deemed not independent from business relationship because of an agreement made between Dr Cheong and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors’ Report). Mr David Conner and Mr Pramukti Surjandaja are not independent from management: the former is executive Director and Chief Executive Officer (“CEO”) of the Bank while the latter is President Director of PT Bank NISP Tbk, a subsidiary of the Bank.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman’s responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring

effective communication with shareholders; encouraging constructive relations between the Board and Management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between the executive Director and non-executive Directors; and, promoting high standards of corporate governance.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors’ professional qualifications and background can be found on pages 170 to 176.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank’s Articles of Association provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. The Directors have multiple board representations, but the Nominating Committee is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank. Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 12 and 14 members. The actual Board size currently is 14.

#### Board Conduct and Responsibilities

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders. Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;

## Corporate Governance

- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Committee, the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing management;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- setting corporate values and standards, which emphasize integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ensuring that obligations to shareholders and others are understood and met; and
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They meet during the year, without the presence of management, to discuss the effectiveness of management.

In 2007, the Board and its committees held a total of 36 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its committees have separate and independent access to the Bank's senior management and to the company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitates orientation of new Directors and professional development of Directors, as required. The appointment and removal of the company secretary is considered to be a matter for the Board as a whole.

The Directors receive appropriate structured training. This includes introductory information, briefings by senior executives on their respective areas and attendance at relevant external courses. The Board as a whole also receives briefings on relevant new laws, risk management updates and changes in accounting standards.

### Board Performance

The Board has implemented an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board. An independent consultant facilitates this process.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer-assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors. The Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors, in consultation with the Nominating Committee.

### BOARD COMMITTEES

The composition of the Bank's Board Committees satisfies the independence requirements of the Banking (Corporate Governance) Regulations 2005, as well as the Code.

## Corporate Governance

### Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Mr Lee Seng Wee, Mr Wong Nang Jang and Mr Patrick Yeoh.

The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

### Nominating Committee

The Nominating Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Mr Giam Chin Toon, Mr Lee Seng Wee and Col (Ret) David Wong. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, or whether the Director is capable of carrying out the relevant duties when the Director has multiple board representations. It also reviews nominations for senior management positions in the Bank, including the CEO, Deputy CEO and Chief Financial Officer. The Nominating Committee makes recommendations to the Board on all such appointments.

The Nominating Committee establishes the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors. When the need for a new Director is identified, the Nominating Committee

will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of MAS. In accordance with the Bank's Articles of Association, the new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

### Audit Committee

The Audit Committee comprises Mr Bobby Chin (Chairman), Tan Sri Dato Nasruddin Bin Bahari, Professor Neo Boon Siong, Dr Tsao Yuan and Col (Ret) David Wong, all of whom are independent Directors. A majority of the members have accounting or financial management expertise and experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance guidelines. Details of the duties and responsibilities of the Audit Committee are found in the Directors' Report on page 70 to 77 and in the "Audit Function" section of this chapter on pages 39 to 40.

### Remuneration Committee

The Remuneration Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Dr Lee Tih Shih, Tan Sri Dato Nasruddin Bin Bahari and Dr Tsao Yuan. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors. It is also empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, it administers the various employee share ownership schemes. The Remuneration Committee, if necessary, will seek expert advice from outside the Bank on the remuneration of Directors.



## Corporate Governance

### Risk Committee

The Risk Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Patrick Yeoh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Giam Chin Toon, Professor Neo Boon Siong and Mr Pramukti Surjaudaja. The Committee has written terms of reference that describe the responsibilities of its members.

The Risk Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, risk disclosure policy, risk management systems and risk capital allocation methodology. The Committee also reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures.

### DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2007

Name of Director	Board			Executive Committee			Audit Committee		
	Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting		Scheduled Meeting		Ad Hoc Meeting	
	Held <sup>1</sup>	Attended	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Attended	
Cheong Choong Kong	8	8	1	6	6	–	–	–	
Michael Wong Pakshong	8	8	1	–	–	–	–	–	
Bobby Chin	8	8	1	–	–	7	7	3	
David Conner	8	8	1	6	6	–	–	–	
Giam Chin Toon	8	8	1	–	–	–	–	–	
Lee Seng Wee	8	8	1	6	6	–	–	–	
Lee Tih Shih	8	7	1	–	–	–	–	–	
Nasruddin Bin Bahari	8	8	1	–	–	7	7	3	
Neo Boon Siong	8	8	1	–	–	7	6	3	
Pramukti Surjaudaja	8	5	1	–	–	–	–	–	
Tsao Yuan	8	8	1	–	–	7	7	3	
David Wong	8	8	1	–	–	7	7	3	
Wong Nang Jang	8	8	1	6	6	–	–	–	
Patrick Yeoh	8	8	–	6	6	–	–	–	

Name of Director	Nominating Committee		Remuneration Committee			Risk Committee	
	Scheduled Meeting		Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Attended	Held <sup>1</sup>	Attended
Cheong Choong Kong	2	2	2	2	1	4	4
Michael Wong Pakshong	2	2	2	2	1	–	–
Bobby Chin	–	–	–	–	–	–	–
David Conner	–	–	–	–	–	4	4
Giam Chin Toon	2	2	–	–	–	4	4
Lee Seng Wee	2	2	–	–	–	–	–
Lee Tih Shih <sup>2</sup>	–	–	1	1	–	–	–
Nasruddin Bin Bahari	–	–	2	2	1	–	–
Neo Boon Siong	–	–	–	–	–	4	4
Pramukti Surjaudaja	–	–	–	–	–	4	4
Tsao Yuan	–	–	2	2	1	–	–
David Wong	2	2	–	–	–	–	–
Wong Nang Jang	–	–	–	–	–	–	–
Patrick Yeoh	–	–	–	–	–	4	4

Notes:

<sup>1</sup> Reflects the number of meetings held during the time the Director held office.

<sup>2</sup> Appointed to Remuneration Committee on 1 November 2007.

## Corporate Governance

The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

### AUDIT FUNCTION

#### **Audit Committee**

The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year with the internal auditors and external auditors. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements, announcements relating to financial performance, and arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a quarterly basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing

the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2007 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgements affecting the financial statements;
- (b) has discussed with the external auditors the quality of the above principles and judgements;
- (c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and
- (d) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

#### **Internal Audit Function**

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the systems of control to the Audit Committee and management, but does not form any part of those systems of control. Group Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of potential exposure to risks. This includes not only financial risks, but operational, technology and strategic risks as well. Computerised audit workpaper and report distribution systems have been adopted so that the audit process is substantially paperless. Group Audit works closely with Group Risk Management to help review risk management processes as a whole.

## Corporate Governance

The work undertaken by Group Audit includes the audit of the Group's system of internal control over its key operations (including overseas branches), review of security and access controls for the Group's key computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Group Audit also actively participates in major new systems developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Bank complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, Group Audit has a team of 165 staff. The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment and removal of the Head of Group Audit.

### Internal Controls

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance in this regard, or absolute

assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

### REMUNERATION POLICY

#### Employees' Remuneration

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package based on market data provided by recognised surveys of comparative groups in the financial sector.

For executives, the Bank adopts a performance-driven approach to compensation, with rewards linked to individual, team and corporate performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee.

The remuneration practices for staff in bargainable positions are established through negotiation with the banks unions.

#### Directors' Remuneration

The Remuneration Committee recommends the remuneration for executive Directors and non-executive Directors of the Bank. The remuneration for non-executive Directors is subject to shareholders' approval at the AGM.

#### Compensation of Non-Executive Directors

OCBC's remuneration for non-executive Directors will attract capable individuals to its Board, as well as retain and motivate them in their roles as non-executive Directors. It will align their interest to those of shareholders, be competitive in the region and recognise individual contributions.

## Corporate Governance

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:

- Annual board chairman fee of S\$45,000;
- Annual retainer fee of S\$45,000;
- Annual committee chairperson fee of S\$40,000 for Audit Committee, Risk Committee and Executive Committee, and S\$15,000 for Nominating and Remuneration Committees;
- Annual committee member fee of S\$20,000 for Audit Committee, Risk Committee and Executive Committee, and S\$7,500 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- Attendance fee of S\$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 4,800 remuneration shares to each non-executive Director who had served a full annual term with the Board. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 4,800 new ordinary shares to each non-executive Director who has served a full annual term in 2007 with the Board. The resolution proposing these share grants will be presented to shareholders at the AGM/EGM on 17 April 2008.

The CEO is not eligible to receive the Directors' fees and remuneration shares.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions.

### Compensation of Executive Directors

The compensation plan for the executive Directors is formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards are commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors are similar to those for the executives of the Bank.

### Remuneration of Directors' Immediate Family

An employee of the Group who is an immediate family member of a Director of the Bank receives remuneration between S\$250,000 and S\$499,999, comprised largely of salary and performance bonus. Other than this, none of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S\$150,000.

### Remuneration of Top 5 Key Executives in 2007

The Code suggests the disclosure of the remuneration of the Bank's top five key executives. The Board considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

## Corporate Governance

### DIRECTOR'S REMUNERATION IN 2007

Name <sup>e</sup>	Performance-Based Remuneration							Total Remuneration (%)	Options Granted (No.)	Acquisition Price (\$)	Exercise Period
	Remuneration Band (\$)	Salary and Fees <sup>f</sup> (%)	Bonus (%)	Value of Share Options Granted <sup>d</sup> (%)	Value of Deferred Shares/Share Awards Granted <sup>b</sup> (%)	Other Benefits <sup>c</sup> (%)	Value of Remuneration Shares Awarded <sup>d,f</sup> (%)				
Michael Wong Pakshong	Below 250,000	76.9	–	–	–	–	23.1	100	–	–	–
Bobby Chin	Below 250,000	79.8	–	–	–	–	20.2	100	–	–	–
Giam Chin Toon	Below 250,000	77.1	–	–	–	–	22.9	100	–	–	–
Lee Seng Wee	Below 250,000	77.9	–	–	–	–	22.1	100	–	–	–
Lee Tih Shih	Below 250,000	68.2	–	–	–	–	31.8	100	–	–	–
Nasruddin Bin Bahari	Below 250,000	79.8	–	–	–	–	20.2	100	–	–	–
Neo Boon Siong	Below 250,000	81.1	–	–	–	–	18.9	100	–	–	–
Tsao Yuan	Below 250,000	79.8	–	–	–	–	20.2	100	–	–	–
David Wong	Below 250,000	79.5	–	–	–	–	20.5	100	–	–	–
Wong Nang Jang	Below 250,000	75.9	–	–	–	–	24.1	100	–	–	–
Patrick Yeoh	Below 250,000	81.8	–	–	–	–	18.2	100	–	–	–
Cheong Choong Kong	2,750,000 to 2,999,999	44.6	40.7	11.5	–	3.2	–	100	200,000	7.52	15/3/2009 to 13/3/2013
David Conner	6,000,000 to 6,249,999	20.0	43.3	11.7	24.3	0.7	–	100	450,000	7.52	15/3/2009 to 13/3/2018

#### Notes:

<sup>a</sup> Share option value was estimated as at 4 March 2008, using the Binomial valuation model.

<sup>b</sup> Deferred share value was estimated based on closing price of ordinary shares on 4 March 2008, i.e. S\$7.49.

<sup>c</sup> Represents non-cash component and comprises club and car benefits and employer's contributions to CPF.

<sup>d</sup> Remuneration share value was estimated based on closing price of ordinary shares on 4 March 2008, i.e. S\$7.49.

<sup>e</sup> Mr Pramukti Surjaudaja, President Director of PT Bank NISP (a subsidiary of the Bank), has declined to receive fees and remuneration shares for Non-executive Directors of OCBC Bank.

<sup>f</sup> Fees and remuneration shares for Non-executive Directors refer to those for 2007 financial year that are subject to approval by shareholders at the AGM on 17 April 2008.

### SHARE OPTION SCHEMES

#### OCBC Executives' Share Option Scheme 1994

The Bank has a share option plan available for executives of the Bank and OCBC Bank (Malaysia) Berhad, viz. OCBC Executives' Share Option Scheme 1994 (the "1994 Scheme"). The objective is to enable officers of the rank of Manager and above as well as executive Directors of the Bank to participate in the equity of the Bank. This 1994 Scheme, which has been replaced by OCBC Share Option Scheme 2001, was terminated on 3 August 2001. However, this will not affect the rights of the holders of outstanding options granted under the 1994 Scheme to acquire shares.

#### OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the "2001 Scheme") was approved in 2001.

The 2001 Scheme seeks to inculcate in all participants a stronger and more lasting sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

The cumulative total number of ordinary shares to be issued by the Bank in respect of options granted under the 2001 Scheme cannot exceed 10% of the Bank's total number of issued ordinary shares.

The number of share options to be offered each year is determined by the Remuneration Committee which

## Corporate Governance

comprises Directors of the Bank who are duly authorised and appointed by the Board to administer the 2001 Scheme. The Committee takes into account criteria such as the individual's rank, job performance, years of service, potential for future development and his/her contribution to the success and development of the Group.

The acquisition price for each ordinary share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the 2001 Scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant. Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to five years. The options may be exercised after the first anniversary of the date of the grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant of the respective options.

The Committee has adopted the following vesting schedule:

Vesting Schedule	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable

within the relevant option periods or such option periods as may be determined by the Remuneration Committee.

### OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2007, the participants are executives of the Bank, selected overseas locations and subsidiaries.

The share awards are granted annually to eligible executives, the value of which is presently equal to 25% of their total variable performance bonus for the year. The OCBC shares granted are acquired from the market in accordance with guidelines established under the Plan. The share awards will vest with the executives at the end of three years. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

In 2007, the Remuneration Committee approved amendments to the Plan to adjust unvested deferred share grants to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment are acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

During the financial year, an aggregate of 1,548,021 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

### OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESPP") was implemented in 2004 for all employees of the Group, including executive Directors. It was implemented

## Corporate Governance

to inculcate in all participants a stronger and more lasting sense of identification with the Group.

The ESPP is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

### COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group Corporate Communications and Investor Relations Unit is to keep the market and investors apprised of the Group's corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

Shareholders are given the opportunity to participate actively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

### RELATED PARTY TRANSACTIONS

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party transactions and keep the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more

favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual on interested person transactions.

### ETHICAL STANDARDS

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. The Bank also has a policy on dealings in the listed securities of customers of the Group. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

## Risk Management

(This section forms an integral part of OCBC's audited financial statements)

### DEVELOPMENTS IN 2007

The past year saw further development and improvement to the management of risk in OCBC Group. The Group enhanced the alignment of our risk management practices with business strategy and developed more proactive approaches to managing risk. In addition, the Group continues to focus on building up our risk infrastructure to more efficiently support new product offerings and our growing overseas activities.

New risk initiatives in 2007 included the implementation of a new consumer secured loan workflow system that allows the Group to approve customer loan applications faster with straight through processing while concurrently improve loan underwriting standards through parameterised credit rules. Another initiative is a new integrated end-to-end origination, approval and loan administration system for corporate loans. Both systems are scalable to support our expansion into regional markets.

In mid December 2007, MAS announced the implementation of the Basel Committee's report on "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (commonly known as Basel II) for Singapore based banks. It requires banks to raise their risk management practices to international standards and we are pleased that MAS has granted approval for OCBC Group to adopt Basel II from January 2008.

### RISK EXPOSURE AND RISK MANAGEMENT PRACTICE

The objective of OCBC Group's risk management practice is to drive the business through an integrated proactive risk management approach with strong risk analytics, while protecting the Group against unexpected losses. The Group's philosophy is that all risks must be properly understood, measured, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy, to enable the Group to maximise its risk-adjusted return on capital.

The Group's primary business activity is commercial banking, which is essentially a customer-driven activity where substantial risk is the credit risk from its corporate, institutional and retail customers. Commercial banking activities also expose the Group to market risk arising from re-pricing, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate, liquidity and foreign exchange risks.

Trading and investment banking activities, which include sales and trading in money market, foreign exchange and other treasury products, the underwriting of equities and debt instruments, as well as stockbroking, also expose the Group to credit and market risks.

In the course of conducting its businesses, the Group handles a large number of financial transactions. It is inherently exposed to operational risks arising from failure of internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The provision of financial advisory services to customers for wealth management products, including the sale of unit trusts and life insurance, also exposes the Group to operational and fiduciary risks arising from the failure to meet the general standards expected of such financial advisory activities.

Our subsidiary, Great Eastern Holdings ("GEH"), is engaged in the insurance business and incurs risks inherent in its principal activities of providing financial advisory services and insurance protection such as mortality, morbidity, property and casualty. GEH, which is listed on the Singapore Exchange, is required to comply with the insurance rules and regulations in Singapore and Malaysia, as applicable, including guidelines on investment limits. It has its own Risk Committee, made up of members of GEH's Board of Directors, which oversees its risk management policies and framework.

Details on the insurance-related risk management information of GEH are disclosed in Note 40 of the Group's Financial Statements.

Bank NISP, our subsidiary, is listed on the Indonesia Stock Exchange. Bank NISP's risk management strategy is guided by an enterprise-wide risk management framework under the oversight of the Board of Commissioners (the equivalent of Board of Directors in Singapore) that covers various risk functions including credit, market and operational risks. The Group continues to assist Bank NISP in improving its risk management infrastructure, notably that relating to operational, credit, and market risk issues through knowledge transfer and training assistance. Two senior risk managers have been appointed at NISP; a full-time senior risk advisor and a representative who is also the principal risk officer and director on the Board of Directors of Bank NISP.

The discussion that follows in the rest of this chapter covers the risk management practices, policies and framework of OCBC



## Risk Management

(This section forms an integral part of OCBC's audited financial statements)

Group excluding GEH and Bank NISP. As listed companies, GEH and Bank NISP publish their own annual reports, which contain information on their risk management practices and framework.

### RISK ORGANISATION

OCBC Group believes that risk management is most effective when it is a shared responsibility between risk takers and risk controllers, with the Board of Directors providing general oversight.

The Board Risk Committee is the principal committee that supports the Board in the oversight of credit, market, operational and fiduciary risks and any other category of risks as may be deemed necessary. It is responsible for ensuring effective risk oversight of the Bank as well as subsidiaries. It is supported by Group Risk Management through risk management committees including Credit Risk Management Committee ("CRMC"), Market Risk Management Committee ("MRMC"), Asset and Liability Management Committee ("ALCO"), and Operational Risk Management and Information Security Committee ("ORISC") which are discussed in later sections.

Group Risk Management Division, in supporting the Board Risk Committee and the CEO, is staffed with officers dedicated to risk policy setting, risk measurement methodology and model development, and the monitoring of the OCBC Group's risk profiles and concentrations. In the case of credit risk, dedicated officers are also involved in transaction approval and remedial loan management. Besides the Group Risk Management Division, other functions in the Bank that are involved in risk management include Legal and Compliance, Internal Audit, Operations, Finance and the various business units where risks originate.

### BASEL II

The Group has received regulatory approval in Singapore to adopt Basel II from January 2008. OCBC has obtained approval from MAS to use its own "internal rating based" risk models to set internal capital allocation rules and to determine capital adequacy parameters that are consistent with our overall group risk appetite and tolerances.

For credit risk, OCBC is adopting the foundation-internal rating based ("F-IRB") approach for the calculation of credit risk weighted asset ("RWA") for major non-retail portfolios. For major retail portfolios, the advanced internal rating

based ("A-IRB") approach will be adopted. The remainder of the credit portfolios will be on the standard approach.

For operational risk, the Group will initially adopt the standardized approach, while the Group is working towards internal models approach ("IMA") for market risk. Programmes have been put in place to migrate to the more advanced approaches in the next few years.

### CREDIT RISK MANAGEMENT

Credit Risk is the risk of loss arising from declining credit quality or actual default of an obligor or counterparty.

The objectives of credit risk management are:

- a) To enable the Bank Group to take on businesses that meet its approved underwriting standard.
- b) To keep credit losses within maximum risk tolerance parameters.

The Credit Risk Management Committee ("CRMC") is the principal senior management committee that supports the CEO and the Board Risk Committee in credit risk management oversight. The CRMC reviews and recommends major credit risk policies for the approval of the CEO and/or the Board Risk Committee. It is also responsible for ensuring that sound credit risk methodologies and effective credit risk management processes are established.

The CRMC includes representatives from major business units, where credit risk is generated, as well as independent credit risk controlling units. This joint effort in setting risk policy seeks to ensure understanding of and commitment to the credit risk management process. The CRMC is supported by the Credit Risk Management ("CRM") departments within Group Risk Management Division. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedures and putting in place the necessary risk monitoring, reporting and control systems.

### Credit Approval Process

The foundation of the credit approval structure is a designation process that delegates lending authority to individual credit signers according to their individual credit skills, knowledge, experience, training and track record.

Credit extensions to corporate and institutional customers are generally required to meet pre-defined target markets and risk acceptance criteria. Individual credit signers from the business units make underwriting decisions jointly with those from

## Risk Management

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the credit risk management units. This "co-grantor" approval approach is designed to ensure objectivity in credit extensions.

For the consumer and small business sectors where transactions are numerous and of smaller amounts, loans are underwritten under pre-approved credit programmes. These programmes focus on credit extensions to individual customers with similar characteristics and/or product needs.

The New Product Approval Committee ("NPAC") approves all new products including credit programmes and reviews existing programmes on a regular basis. The representation of key stakeholders from the business, support and risk management units in the membership of the NPAC ensures objectivity, independence, and injection of functional expertise into the decision-making process.

### Credit Monitoring

Large corporate and institutional credits are constantly being monitored to detect signs of credit quality deterioration. Credit reviews are conducted at least once a year with updated information on obligor's financial, business conditions, and account conduct. Corrective actions are taken should the account show signs of credit quality deterioration.

Since consumer and small business loans are granular in nature, a portfolio approach in managing these high volume loans is appropriate. The Group's integrated credit monitoring approach comprises the reviewing of pre-defined portfolio indicators, correlation with macroeconomic factors and customer behavioural patterns. Growing use of quantitative risk systems and segmentation analyses allows the Group to enhance its value proposition to its customers, identify adverse credit trends early, and to support profitable risk-adjusted business initiatives in an increasingly competitive environment.

### Credit Risk Review

Independent credit risk reviews ("CRR") are conducted across different business units to strengthen the risk oriented credit culture in OCBC. CRR is part of Group Audit and reports directly to the Audit Committee. Established since November 2002, CRR adopts a risk-based approach in evaluating both portfolio and process quality of OCBC's various risk taking units.

### Credit Portfolio Management

The Group is continuing to develop and enhance its credit risk grading models to enable it to differentiate risks in the various

segments of its credit portfolio for better decision making and monitoring of risks. An economic capital framework is also being established to relate risks undertaken with the business strategy and returns. Increased attention has been placed on credit stress testing to assess the credit portfolio's vulnerability to "exceptional but plausible" adverse credit risk events and to measure the sensitivity of the Group's earnings and capital to the associated deterioration in credit quality under the stressed scenarios.

### Country Risk

The country risk framework covers risk ratings of countries and also its cross-border transfer risks. Onshore non-local currency transactions are also covered within the ambit of cross-border transfer risk. Maturity time-bands are used in determining country limits and transfer risk limits and will vary in accordance to the risk rating of the country concerned and with due consideration to political and economic outlook.

### Credit Concentration

The Group uses limit setting to manage concentration risk and to ensure that any unexpected loss from a single event, customer or product stays within its loss absorption capacity. This includes single customer and/or customer group; industry segments and country specific limits. Industry and country concentration limits are also monitored in relation to the Group's capital.

### Special Asset Management Unit

The Special Asset Management Unit continues to manage all non-performing loans ("NPLs") due from Business Banking customers within the Group, extending to OCBC Malaysia and overseas branches. These NPLs are managed either directly by active account management, or where warranted, through the oversight and supervision of the relevant business units' management. The Special Asset Management unit is target driven, with the objective of efficient NPL reduction and maximising loan recovery. The unit maintains its focus through a systematic loan management process that formulates work plans to achieve timely NPL resolution, and its senior management team is actively involved in all stages of the process to ensure that the agreed plans for NPL resolution are achieved within agreed timeframes.

### Consumer Collections

The collections and recovery functions of the consumer loan portfolios are centralised in the Collections Unit.

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Time and risk-based approaches are being deployed to optimise collection and asset recovery returns including monitoring set indicators like delinquency buckets, adverse status and behavioural score trigger points. The Bank uses a suite of collection information systems to constantly fine-tune and optimise its objectives of recovery, effectiveness and improving returns.

### Loan Classification

The Group classifies its loans in accordance with MAS Notice 612 and internal loan classification policies. Performing loans are categorised as "Pass" or "Special Mention", while NPLs are categorised as "Substandard", "Doubtful" or "Loss", based on the following guidelines:

- Pass – Interest and principal payments are fully up-to-date, and orderly repayment and/or timely settlement in the future is without doubt.
- Special Mention – Currently protected but potentially weak. Borrower exhibits some deteriorating trends which, if not addressed or corrected, could jeopardise the timely repayment of interest and principal.
- Substandard – Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
- Doubtful – Full repayment and/or settlement is improbable.
- Loss – The outstanding debt is regarded as uncollectible.

### Restructured Loans

A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Bank and the borrower. Where a loan is restructured because a borrower is facing severe financial difficulties and where it is probable that the account will have to be downgraded to non-performing status without the restructuring, the restructured loan will be classified as NPL. Once classified as an NPL, a restructured loan can only be upgraded after a reasonable period (typically six months) of sustained performance under the restructured terms.

### Impairment Allowances for Loans

The Group maintains a level of allowances for loans that is sufficient to absorb all credit losses inherent in its entire loan portfolio. Total loan loss reserves comprises specific allowances against each NPL and a portfolio allowance for all loans on books to cover any losses that are not yet evident. The Group's policy for loan allowances is guided by Financial

Reporting Standard 39 ("FRS 39") as modified by MAS Notice 612.

Specific allowance is established when the present value of future recoverable cash flows of the impaired loan is lower than the carrying value of the loan. Assessment for impairment shall be conducted on a loan-by-loan basis except for homogenous loans (e.g. housing loans, consumer loans, credit card receivables) below a certain materiality threshold where such loans may be pooled together according to their risk characteristics, and collectively assessed as a group (or portfolio) according to the degree of impairment, taking into account the historical loss experience on such loans.

In accordance with FRS 39 as modified by MAS Notice 612, portfolio allowances are set aside based on management's credit experiences and judgement. Credit experiences are based on historical loss rates or where there is limited historical data, loss estimates are based on internal credit models which take into account risk ratings, geographic, industry factors and default probabilities over a full economic and credit cycle.

### Write-offs

Write-off of loans are made against impairment allowances when recovery action has been instituted and the loss can be reasonably determined. For unsecured consumer loan programmes, the general policy is to write-off overdue debts after 180 days from the first default.

### Ceasing of Interest Accrual on Loans

When a loan is classified "Substandard", "Doubtful" or "Loss", interest income ceases to be recognised in the income statement on an accrual basis. However, this non-accrual of interest does not preclude the Group's entitlement to the interest income as it merely reflects the uncertainty in the collectability of such interest income.

### Collateral Held Against NPLs

The major type of collateral backing for the Group's NPLs is real estate in Singapore. The realisable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Proceeds from the sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and cross collateralisation of the facilities is provided for contractually.

## Risk Management

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### Property Exposure

The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Information on credit exposures by geographical area, business line and industrial classification, and the breakdown of investment and dealing securities by issuer type, are disclosed in Notes 27, 28, 31 and 40 of the Financial Statements and in the Management Discussion and Analysis chapter.

### MARKET RISK MANAGEMENT

Market risk is defined as the uncertainty in the future values of the Group's exposures in financial instruments resulting from fluctuations in market factors such as interest rates, equity prices, commodity prices, credit spreads and foreign exchange rates.

The Market Risk Management Committee ("MRMC") is the principal senior executive group that supports the Board Risk Committee and the CEO in discharging their market risk oversight responsibilities. The MRMC includes senior representatives from both the business and support units, and is responsible for implementing a robust bank-wide market risk management framework. This framework comprises key market risk principles and policies, best practice measurement methodologies and a comprehensive set of controls and monitoring processes, complemented by a prudent risk taking attitude and culture.

The MRMC is supported at the working level by the Market Risk Management Department ("MRMD"), a department within Group Risk Management Division. The MRMD is responsible for operationalising the market risk management framework, with the key objective of striking the right balance between partnership (supporting the business units to grow their business) and guardianship (ensuring adequate risk control and oversight is in place).

### MARKET RISK MANAGEMENT FRAMEWORK

The key elements in the market risk management framework are policies, risk limits and risk measures.

**Policies** – Approved by the CEO and concurred by the Board Risk Committee, the policies provide guidance on the oversight and management of the Group's market

risk and facilitate a common market risk language in terms of definitions and methodologies adopted across the Group. Controls and clear communications are in place to ensure that all business activities conform to the Group's market risk management policies.

**Risk Limits** – All trading risk positions are monitored on a daily basis against the authorised limits by support units independent of the businesses. Under the market risk corporate governance framework, limits are approved for various business activity levels, with clearly defined exception escalation procedures at each level. All exceptions are to be promptly reported to the relevant senior management for appropriate rectification. Only authorised trading activities may be undertaken by the various business units within the limits allocated.

**Risk Measures** – The value-at-risk ("VaR") methodology is the primary market risk measure for the Group's trading activities. The Board Risk Committee agrees on an aggregate market risk appetite based on VaR. VaR is measured and monitored by risk types, namely interest rate risk, foreign exchange risk, equity risk, volatility risk and credit spread risk, as well as at the aggregate level. The Group measures VaR, applied against a 1-day holding period at a 99% confidence level. The Group prefers historical simulation as it involves fewer assumptions on the distribution of trading profitability compared to other approaches.

Nevertheless, as VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions all the time. As such, losses on a single trading day greater than VaR are expected to occur, on average, once every 100 days.

### Stress Testing

To augment VaR, the Group also performs stress testing and scenario analysis to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. Stress tests and scenario analyses provide insights into the impact on the Group's portfolio as a result of extreme market conditions. The stress scenarios are continually reviewed and fine-tuned to ensure that they stay relevant to the Group's risk profile and the prevailing economic conditions. The main objective of these analyses is to determine if potential losses from such extreme markets are within the Group's risk tolerance and capital level.

## Risk Management

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### Other Risk Measures

As the Group's main market risk is to interest rate fluctuations, present value of a basis point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from one basis point increase across the entire yield curve, is an additional measure monitored on a daily basis.

Other than VaR and PV01, the Group also utilises sensitivity metrics such as notional amounts and derivative greeks for specific exposure types, where appropriate, to supplement its risk measurements.

Limits are set based on the above-mentioned risk measures at various levels (business unit, trading desk etc.), and are all monitored independently.

The table below provides a summary of the Group's trading VaR profile, by risk types for 2007.

### VaR BY RISK TYPE – TRADING PORTFOLIO

SGD Millions	2007				2006			
	Year End	Ave	Min	Max	Year End	Ave	Min	Max
Interest Rate Risk	8.94	6.77	3.23	12.34	3.80	5.80	3.80	9.47
Foreign Exchange Risk	8.85	5.67	0.86	13.42	2.26	1.93	0.65	3.34
Equity Risk	2.77	2.04	0.67	3.57	0.69	0.33	0.06	1.12
Volatility Risk <sup>(1)</sup>	1.64	1.38	0.49	3.74	0.59	0.92	0.34	2.21
Credit Spread Risk	0.86	0.90	0.29	1.78	0.53	0.40	0.22	0.67
Diversification Effect <sup>(2)</sup>	-8.63	-6.20	NM <sup>(3)</sup>	NM <sup>(3)</sup>	-2.90	-2.77	NM <sup>(3)</sup>	NM <sup>(3)</sup>
Aggregate Risk	14.43	10.56	4.83	19.68	4.97	6.61	4.43	9.49

<sup>(1)</sup> Volatility VaR includes risk related to option's volatility arising from all asset classes, i.e. interest rate, foreign exchange and equity

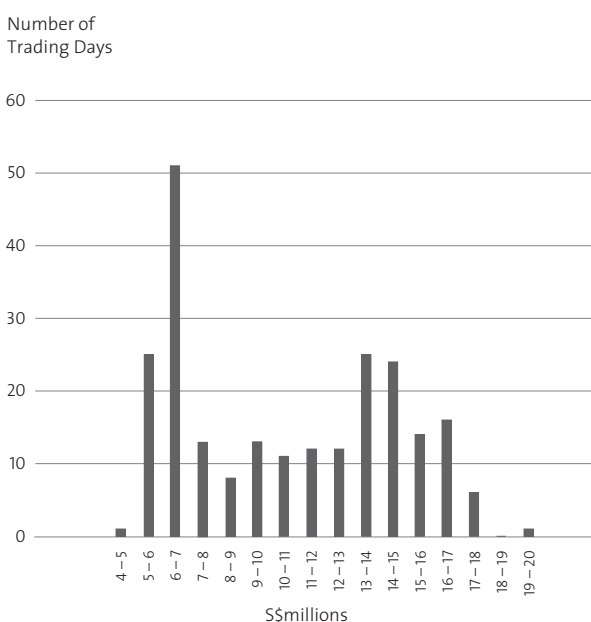
<sup>(2)</sup> Year end and average aggregate VaR are not equal to the sum of the VaR of the respective risk type due to portfolio diversifications

<sup>(3)</sup> NM – not meaningful as the minimum and maximum VaR for each risk type and the aggregate VaR occurred on different days

The risks of the trading portfolio arose primarily from proprietary trading and hedging activities undertaken by the treasury business, as well as exposures warehoused by the bank as a result of customer facing transactions. The bank seeks to actively manage these risks via consistent diversifications across asset classes and markets with good trading liquidity. The Group had no significant trading exposure to commodity price risk in 2007.

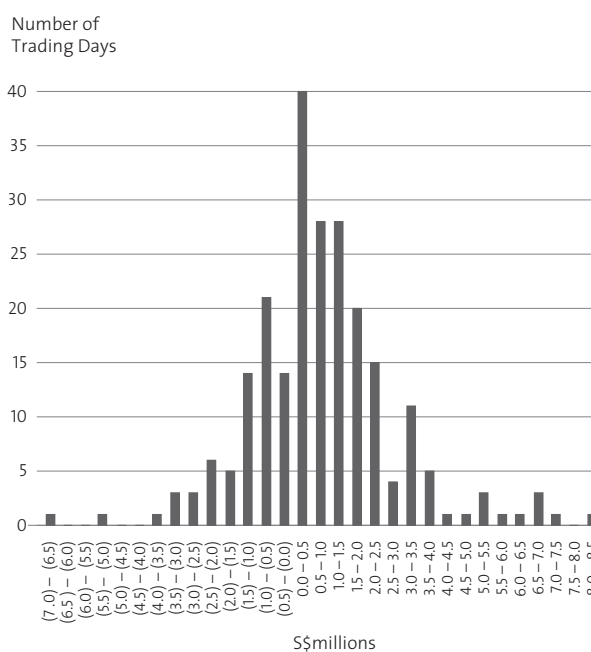
### FREQUENCY DISTRIBUTION OF TRADING BOOK DAILY VAR (1-DAY HOLDING PERIOD) FOR FY 2007

#### Trading Book VaR (1-Day Holding Period)



### FREQUENCY DISTRIBUTION OF TRADING BOOK DAILY REVENUE FOR FY 2007

#### Trading Book Daily Revenue



## Risk Management

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### Back-Testing

To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading profits and losses (P&L) against the statistical assumptions of the model. To enhance the back-testing process, theoretical P&L is also computed by marking to market the same set of positions as used for the VaR calculations.

### Independent Model Review

The Group trades financial instruments that require statistical pricing models for valuation, for which no quoted market prices are readily available. Deployed across the Group, these models are used for the purposes of marking-to-market as well as risk reporting. The Group ensures the accuracy, appropriateness and consistency of the models using an independent review process, which is supported by a team of quantitative analysts. The review process involves verifying the parameters, assumptions and robustness associated with each model before it can be commissioned for use.

### Asset Liability Management Framework

The Asset Liability Management Committee ("ALCO") is the senior management forum that is responsible for overseeing the Group's liquidity and balance sheet risks. The ALCO comprises the CEO, the Chief Financial Officer and other senior representatives from both the business and support units. The ALCO is supported by the Asset Liability Management Department within the Group Risk Management Division.

The Group's Asset Liability Management framework consists of three components:

- Structural Interest Rate Risk Management
- Structural Foreign Exchange Risk Management
- Liquidity Risk Management

**Structural Interest Rate Risk** – The main market risks faced by the Group are interest rate risks arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes.

A system is in place to measure the Group's re-pricing mismatch profile. In-depth analyses of current and projected balance sheet positions and the likely impact on the Group's net interest

income are performed. Group Treasury actively manages the re-pricing mismatches with the aid of daily re-pricing gap and sensitivity reports, against defined sensitivity limits. The re-pricing gap reports allow for the analysis of the re-pricing profile for the Group's assets and liabilities. The sensitivity reports identify the parts of the yield curve where the Group is most vulnerable to changes in interest rates.

The funding mix varies across the Group. In Singapore, the lending portfolio is largely funded by demand, savings and fixed deposits. The major component of interest rate risks lies in the Bank's extension of commercial property loans, housing loans and automobile loans, which are generally priced at fixed rates. The Group uses the interest rate swap market actively to ensure that these fixed rate exposures are managed within its risk appetite.

**Structural Foreign Exchange Risk** – The Group's structural foreign exchange exposure arises primarily from its net investment in overseas branches, subsidiaries and associates, strategic equity investments as well as property assets. The Group's policy is to protect the capital and financial soundness of the Group by identifying, measuring and managing the potential adverse impact of structural foreign exchange risk exposures. The decision to hedge is based on the potential economic benefit of the hedge.

**Liquidity Risk** – The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and regulatory financial obligations at all times, as well as the ability to undertake new transactions. The Group has established a liquidity framework which entails the monitoring of liquidity positions and the management of liquidity risks arising from a variety of scenarios. As a policy, the Group requires most of its individual subsidiaries and overseas branches to be self-sufficient and to fund their own operations. It is the responsibility of each local management team to ensure compliance with local regulations and the Group's requirements on liquidity management. Liquidity is managed daily at each branch or subsidiary, taking into account the complexity of the individual balance sheet, as well as the depth and liquidity of the local market.

The Group's liquidity position is monitored and managed through a maturity mismatch analysis performed on a contractual and behavioural basis across the major currencies. Simulations of the profile under adverse market

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scenarios are also performed for the management of liquidity risk under stressed market condition. The bank also employs a variety of structural liquidity indicators such as liquidity and deposit concentration ratios to maintain an optimal funding mix and asset composition.

The liquidity management process also involves the establishment of liquidity risk limits, contingency funding plans, maintaining ample liquidity and regularly accessing the wholesale financial markets; these components are subjected to a regular review process for adequacy and appropriateness.

### OPERATIONAL RISK MANAGEMENT

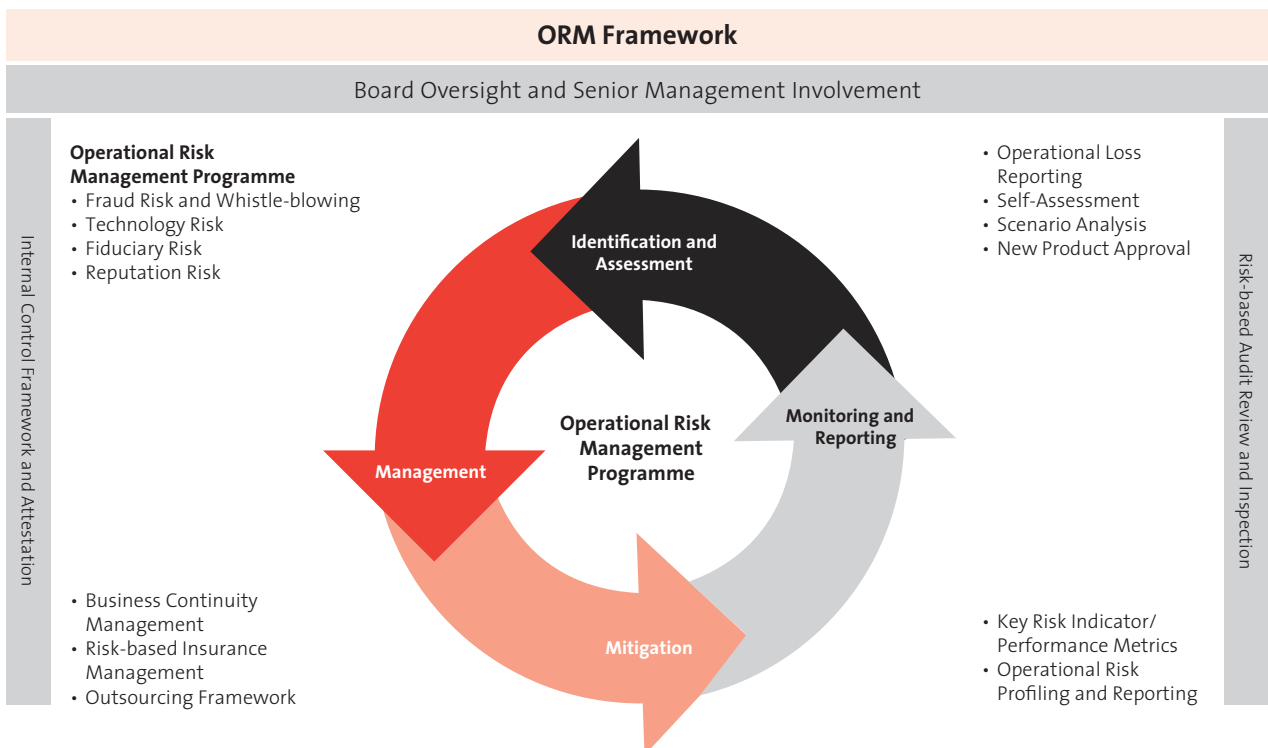
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. The goal of Operational Risk Management (“ORM”) is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner and increases risk adjusted profitability through calculated risk-and-reward decision making.

ORM comes under the oversight of the Operational Risk Management and Information Security Committee (“ORISC”). ORISC consists of senior representatives from

risk management, business units and the relevant support functions. Business units are in turn supported by the ORM Department of Group Risk Management Division, which has established the ORM Framework, including the relevant policies and methodologies, and provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through the respective Operational Risk Co-ordinators/ Managers in the business units.

The Group has put in place various Operational Risk related frameworks and programmes to enable the Bank to comply with the International Convergence of Capital Measurement and Capital Standards (“Basel II”). The Group has mapped its business activities to the eight Business Lines as defined by the Basel Committee on Banking Supervision and is adopting the Standardised Approach, with gradual migration to the Advanced Measurement Approach.

The ORM Framework, which is reviewed regularly for relevancy, ensures that operational risks within the Group are properly identified, managed, monitored and reported in a structured, systematic and consistent manner. The Framework consists of the following key elements:



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Underpinning the ORM Framework is an internal control system that strengthens the control culture of the Group by establishing clear roles and responsibilities of staff and preserving their "rights" in the control function. A robust management attestation process is in place to provide "positive assurance" of the effectiveness of internal control. To reinforce the internal control system, a performance metrics / key indicators programme has been rolled out to monitor significant operational risk exposures and drive management action via the use of management action triggers.

In achieving good corporate governance, the Group has fraud risk management and whistle-blowing programmes in place to detect corrupt, illegal or other acts of misconduct.

Business continuity, crisis management and risk-based insurance management programmes are also in place as an integral part of the Group's strategy to mitigate risks and to manage the impact of unforeseen events.

In addition, comprehensive operational risk awareness training programmes including e-learning are conducted on an ongoing basis to cultivate a proactive risk management culture within the Group.

### FIDUCIARY RISK MANAGEMENT

In providing investment or wealth management products or services, it is critical to ensure that the business units perform at the appropriate standard relative to the Group's trust relationship with a client. Fiduciary risk is the possibility that the Group, may knowingly or unknowingly, in the course of managing funds among other things, exercise discretion, make decisions, or take actions which fail to satisfy the applicable standard of conduct appropriate for a trust relationship.

The Group has a Fiduciary Risk Management Programme, focusing primarily on compliance with applicable corporate

standards with regular identification, assessment, mitigation and monitoring of fiduciary risk exposures.

### REPUTATION RISK MANAGEMENT

Reputation risk exposure is the current and future adverse impact on earnings and capital arising from negative public opinion. This may affect the Group's ability to establish new relationships and may even adversely impact the servicing of existing relationships. It may expose the Group to litigation, financial loss, or a decline in its customer base.

The Group's Reputation Risk Management Programme focuses primarily on regular stakeholder management, identification, assessment, mitigation, monitoring and reporting of reputation risk exposures.



## Capital Management

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### CAPITAL POLICY

OCBC's capital management is directed towards creating and maximising shareholder value, and delivering sustainable returns to shareholders. We also strive to maintain strong credit ratings and sound capital ratios, and to nurture mutually beneficial partnerships with other capital providers and stakeholders.

Our policy is to maintain a strong capital position, consistent with our goals of maintaining investor, depositor, customer and market confidence, to meet regulatory requirements at all times, and to seize opportunities for strategic investments and business growth. To achieve our capital objectives and our target minimum credit rating of A, we maintain an optimal balance between the use of equity capital, which is costly and dilutes shareholders' return, and other forms of bank capital, which are less costly. We will continue to evaluate and pursue strategic business and investment opportunities which create value for our stakeholders, and may access international and local capital markets for different forms of additional capital if necessary.

Our capital now comprises the following:

- (i) Tier 1 Capital which includes ordinary share capital, disclosed reserves, perpetual preference shares, innovative Tier 1 preference shares and minority interests; and
- (ii) Tier 2 Capital which includes portfolio allowances, Upper Tier 2 subordinated notes, 45% of revaluation surplus on available-for-sale ("AFS") equity securities that are listed on recognised stock exchanges and Lower Tier 2 subordinated notes.

In our efforts to improve shareholder value, we actively manage our capital composition to achieve an efficient mix of different capital instruments in order to lower our overall cost of capital and improve return on ordinary shareholders' equity. Over the years, our capital composition has been adjusted by issuing non-dilutive perpetual preference shares, tax deductible non-dilutive innovative Tier 1 preference shares, Upper Tier 2 subordinated notes and Lower Tier 2 subordinated notes.

To-date, OCBC has issued 3 classes of preference shares: Class E preference shares, Class G preference shares and through a special purpose vehicle, OCBC Capital Corporation, innovative preference shares which are eligible for inclusion as Tier 1 Capital. OCBC has also issued subordinated notes which are eligible for inclusion as Upper Tier 2 Capital and Lower Tier 2 Capital, respectively.

The issuance and maintenance of qualified capital instruments is subject to regulatory limits prescribed by the Monetary Authority of Singapore ("MAS"), as follows:

- (i) Innovative Tier 1 capital instruments shall not exceed 15% of Net Tier 1 Capital;
- (ii) Perpetual non-cumulative preference shares and innovative Tier 1 capital instruments in total shall not exceed 30% of Net Tier 1 Capital;
- (iii) Tier 2 Capital shall not exceed 100% of Net Tier 1 Capital; and
- (iv) Lower Tier 2 Capital shall not exceed 25% of Total Capital.

Our banking and insurance subsidiaries manage their own capitals taking into account their respective business strategies, regulatory environment, risk weighted assets, capital composition and targeted growth. The banking and insurance subsidiaries also raise capital externally when needed to diversify their funding sources. For our other subsidiaries, allocation of capital is based on business needs and is centrally coordinated.

### CAPITAL PLANNING, MONITORING AND ALLOCATION

We plan and monitor capital usage primarily through the annual operational planning process, as well as the monthly management reporting processes. The annual operational plan is reviewed and approved by the Board of OCBC.

From January 2008, capital usage takes into account Basel II regulatory capital covering credit, market and operational risks. In 2007, regulatory capital was used as a proxy for risk based capital.

### REGULATORY CAPITAL

We are required to comply with capital ratios prescribed by the Monetary Authority of Singapore at the bank and the group levels. In addition, our banking operations in jurisdictions outside Singapore are subject to local regulations. OCBC and each of its regulated banking entities were in compliance with all prescribed capital ratios throughout the period.

In determining regulatory capital ratios, prescribed deductions from regulatory capital, including the cost of investment in subsidiaries, goodwill, intangibles and other capital investments have to be taken into account.

## Capital Management

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Under existing regulations, the amount of regulatory capital we are required to hold is determined according to:

- (i) Credit risk-weighted assets comprising:
- balance sheet assets, which include cash, claims on governments, financial institutions, corporates and individuals, private equity venture capital ("PEVC") investments, fixed assets and other assets;
  - off-balance sheet assets, which include guarantees, performance bonds, standby facilities, sale and repurchase agreements with recourse, forward purchases, revolving credit facilities and other commitments; and
  - derivative contracts, which include foreign exchange contracts, gold contracts, interest rate contracts, equity contracts and other commodities.
- (ii) Market risk-weighted assets including assets that are subject to interest rate, equity, foreign exchange, credit, commodity price and options risks.

Credit risk-weighted assets are risk weighted from 0% for cash to 200% for PEVC investments. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade and other factors.

Most of our regulatory capital requirements arise from the credit risk-weighted assets. Market risk-weighted assets generally represent less than 10% of the total risk weighted assets.

### CAPITAL ADEQUACY RATIO

As of 31 December 2007, our group capital adequacy ratio<sup>(1)</sup> was:

\$ million	31 Dec 07	31 Dec 06
<b>Tier 1 Capital</b>		
Paid-up ordinary and preference shares	5,520	5,481
Disclosed reserves/others	9,366	8,136
Goodwill/others	(3,455)	(3,560)
	<b>11,431</b>	<b>10,057</b>
<b>Upper Tier 2 Capital</b>		
Cumulative portfolio allowances	713	704
Subordinated term notes	2,426	3,112
Revaluation surplus on equity securities	247	205
	<b>3,386</b>	<b>4,021</b>
<b>Lower Tier 2 Capital</b>	<b>225</b>	<b>–</b>
<b>Tier 2 Capital</b>	<b>3,611</b>	<b>4,021</b>
<b>Tier 1 and Tier 2 Capital</b>	<b>15,041</b>	<b>14,078</b>
Capital investments in insurance subsidiaries	(2,506)	(1,889)
Others	(124)	(85)
<b>Eligible Total Capital</b>	<b>12,411</b>	<b>12,105</b>
<b>Risk weighted assets including market risk</b>	<b>99,381</b>	<b>76,514</b>
<b>Tier 1 capital adequacy ratio</b>	<b>11.5%</b>	<b>13.1%</b>
<b>Total capital adequacy ratio</b>	<b>12.4%</b>	<b>15.8%</b>

<sup>(1)</sup> Prepared in accordance with the MAS Notice 637 to Banks dated 28 May 2004.

## Capital Management

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### SHARE BUYBACK AND TREASURY SHARES

In addition to dividends, share buyback programmes are used to return surplus capital to shareholders. Share buybacks allow us to control the return of surplus capital with greater degree of flexibility while maintaining a more predictable dividend return to shareholders.

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently sold, cancelled, distributed as bonus shares, or used to meet delivery obligations under various employee share incentive schemes.

During the financial year ended 31 December 2007, the Bank bought back approximately 5.0 million of its ordinary shares for \$43.5 million, as part of its third \$500 million share buyback programme which commenced in June 2006. As at the date of this report, \$269 million have been utilised to purchase approximately 39.2 million shares under the programme. The shares repurchased are held as treasury shares.

### DIVIDEND

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on half-yearly basis. We also target a dividend payout amounting to not less than 45% of the Group's core net profit. For the year ended 31 December 2007, the Board of Directors is recommending a final tax-exempt dividend of 14 cents per share, bringing the total net dividend for 2007 to 28 cents per share, or an estimated total net dividend of \$864 million, representing 46% of the Group's core net profit of \$1,878 million (2006: Total net dividend of \$709 million, or 49% of core net profit of \$1,443 million).

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# Financial Report

## Management Discussion and Analysis

### FINANCIAL SUMMARY

	2007	2006	% chg
<b>Selected Income Statement Items (\$m)</b>			
Net interest income	2,244	1,794	25
Non-interest income	1,944	1,448	34
Total core income	4,188	3,242	29
Operating expenses	(1,680)	(1,331)	26
Operating profit before allowances and amortisation	2,509	1,911	31
Amortisation of intangible assets	(46)	(44)	6
Allowances and impairment for loans and other assets	(36)	(2)	NM
Operating profit after allowances and amortisation	2,426	1,864	30
Share of results of associates and joint ventures	21	14	53
Profit before income tax	2,447	1,878	30
Core net profit attributable to shareholders	1,878	1,443	30
Divestment gains (net of tax)	90	559	(84)
Tax refunds	104	–	NM
Reported net profit attributable to shareholders	2,071	2,002	3
Cash basis net profit attributable to shareholders <sup>(1)</sup>	2,117	2,046	3
<b>Selected Balance Sheet Items (\$m)</b>			
Ordinary equity	14,782	12,508	18
Total equity (excluding minority interests)	15,678	13,404	17
Total assets	174,607	151,220	15
Assets excluding life assurance fund investment assets <sup>(2)</sup>	133,471	113,607	17
Loans and bills receivable (net of allowances)	71,316	59,309	20
Deposits of non-bank customers	88,788	75,115	18
<b>Per Ordinary Share Data – Based on Core Earnings</b>			
Basic earnings (cents) <sup>(5)</sup>	59.7	45.4	32
Basic cash earnings (cents) <sup>(5)</sup>	61.2	46.8	31
Diluted earnings (cents) <sup>(5)</sup>	59.3	45.2	31
Net asset value (S\$)			
Before valuation surplus	4.79	4.07	18
After valuation surplus	6.46	5.55	16
<b>Key Financial Ratios – Based on Core Earnings (%)</b>			
Return on equity <sup>(3)(5)</sup>	13.4	11.8	
Return on equity – Cash basis <sup>(3)(5)</sup>	13.7	12.2	
Return on assets <sup>(4)</sup>	1.51	1.38	
Return on assets – Cash basis <sup>(4)</sup>	1.55	1.42	
Net interest margin	2.10	2.00	
Non-interest income to total income	46.4	44.7	
Cost to income	40.1	41.1	
Loans to deposits	80.3	79.0	
NPL ratio	1.7	3.0	
Total capital adequacy ratio	12.4	15.8	
Tier 1 ratio	11.5	13.1	

<sup>(1)</sup> Excludes amortisation of intangible assets.

<sup>(2)</sup> 2006 comparatives have been restated for the reclassification of life assurance fund's property, plant and equipment from life assurance fund investment assets.

<sup>(3)</sup> Preference equity and minority interests are not included in equity in the computation of return on equity.

<sup>(4)</sup> The computation for return on assets does not include life assurance fund investment assets.

<sup>(5)</sup> In computing return on equity and earnings per share, preference dividends paid and estimated to be due as at the end of the financial period are deducted from core earnings.

"NM" denotes not meaningful.

## Management Discussion and Analysis

Group net profit attributable to shareholders (“net profit”) for the financial year ended 31 December 2007 increased by 3% to S\$2,071 million, from S\$2,002 million in 2006. Core net profit, which excludes gains from the divestment of non-core assets and tax refunds, grew by 30% to S\$1,878 million, driven by broad-based revenue growth across the Group’s key markets and subsidiaries, particularly Great Eastern Holdings (“GEH”). Net interest income grew 25% and non-interest income rose 34%, while operating expenses increased 26%.

Core earnings in 2007 exclude a S\$90 million gain from the sale of an office property and S\$104 million in tax refunds received during the year. In 2006, divestment gains were significantly higher at S\$559 million, derived from the sale of a residential property as well as shareholdings in Robinson and Company Limited, The Straits Trading Company, Southern Bank Berhad and Raffles Holdings Limited.

Return on equity, based on core earnings, improved from 11.8% in 2006 to 13.4% in 2007. The Group’s equity in the second half of 2007 was boosted by about S\$1 billion mark-to-market gain on its 10% stake in Bank of Ningbo, which was listed in July 2007. Excluding this effect, adjusted return on equity would have been higher at 13.8% for 2007. Core earnings per share for 2007 grew by 32% to 59.7 cents.

The Group’s net interest income grew 25% to S\$2,244 million, supported by growth in interest earning assets and improved interest margins. Loans grew by 19%, contributed mainly by growth in corporate and SME loans in Singapore, Malaysia and other overseas markets. Housing loans in Singapore also picked up during the second half of the year. Net interest margin improved from 2.00% to 2.10%, largely due to better margins in Singapore and Indonesia as the cost of funds fell faster than asset yields.

Non-interest income, excluding divestment gains, grew 34% to S\$1,944 million, accounting for 46.4% of the Group’s core revenue. Growth was driven by strong contributions from fee-based activities, higher profit from life assurance, as well as higher gains from the sale of investment securities.

Operating expenses increased by 26% to S\$1,680 million in 2007. Approximately 41% of the expense increase was associated with the Group’s overseas business expansion, particularly in Indonesia and China, as well as business volume-related and performance incentive compensation costs.

The Group made total allowances of S\$231 million for its investments in collateralised debt obligations (“CDOs”) in 2007. Allowances of S\$226 million were made for the Bank’s investment in asset-backed securities (“ABS”) CDOs, reducing the carrying value of the portfolio by 85% to S\$41 million as at end-2007. GEH provided an allowance of S\$5 million for the CDOs invested under its shareholders’ funds, reducing their carrying value to S\$13 million as at end-2007. Loan recoveries, repayments, and upgrades resulted in a net write-back of S\$108 million in specific allowances for loans. In addition, there was a net reversal of S\$87 million in allowances for other assets, mainly office properties in Singapore. As a result, the Group’s net allowances for the year remained low at S\$36 million, although this was higher than the S\$2 million in 2006.

Key subsidiaries of the Group reported healthy results for 2007. GEH achieved 15% increase in its net profit to S\$547 million, underpinned by steady insurance underwriting results in Singapore and Malaysia, strong investment gains and increased contributions from Lion Capital Management. GEH contributed a significant S\$449 million or 23.9% to the Group’s core earnings, after deducting amortisation of intangible assets and minority interests.

OCBC Bank (Malaysia) Berhad’s net profit rose 19% to RM512 million, led by growth in net interest income, Islamic Banking income and fees and commissions. Bank NISP’s net profit grew by 5% to IDR250 billion, as strong revenue growth was offset to some extent by higher allowances and increased expenses related to its network and headcount expansion.

The Board of Directors is recommending a final tax-exempt dividend of 14 cents per share, bringing the full year dividend to 28 cents per share, up 22% from 23 cents in 2006 and representing a payout of 46% of the Group’s core earnings.

## Management Discussion and Analysis

### NET INTEREST INCOME

#### Average Balance Sheet

	Average Balance S\$m	2007 Interest S\$m	Average Rate %	Average Balance S\$m	2006 Interest S\$m	Average Rate %
<b>Interest earning assets</b>						
Loans and advances to non-bank customers	63,811	3,535	5.54	55,782	3,109	5.57
Placements with and loans to banks	22,441	863	3.84	17,655	744	4.22
Other interest earning assets <sup>(1)</sup>	20,643	868	4.20	16,371	663	4.05
<b>Total</b>	<b>106,895</b>	<b>5,265</b>	<b>4.93</b>	<b>89,808</b>	<b>4,516</b>	<b>5.03</b>
<b>Interest bearing liabilities</b>						
Deposits of non-bank customers	82,080	2,175	2.65	68,062	1,966	2.89
Deposits and balances of banks	12,831	569	4.44	10,722	473	4.41
Other borrowings <sup>(2)</sup>	5,543	277	5.00	5,810	283	4.87
<b>Total</b>	<b>100,454</b>	<b>3,021</b>	<b>3.01</b>	<b>84,594</b>	<b>2,722</b>	<b>3.22</b>
<b>Net interest income/margin <sup>(3)</sup></b>		<b>2,244</b>	<b>2.10</b>		<b>1,794</b>	<b>2.00</b>

<sup>(1)</sup> Comprise corporate debt securities and government securities.

<sup>(2)</sup> Comprise mainly debts issued, including Tier 2 subordinated debt.

<sup>(3)</sup> Net interest margin is net interest income as a percentage of interest earning assets.

Net interest income grew 25% to S\$2,244 million, supported by growth in interest earning assets and improved interest margins. Average interest earning assets grew 19% as loans, interbank placements and securities increased. Net interest margin improved from 2.00% in 2006 to 2.10% in 2007, largely due to better margins in Singapore and Indonesia where the cost of funds fell faster than asset yields.

#### Volume and Rate Analysis

Increase/(decrease) for 2007 over 2006	Volume S\$m	Rate S\$m	Net change S\$m
<b>Interest income</b>			
Loans and advances to non-bank customers	447	(22)	426
Placements with and loans to banks	202	(83)	119
Other interest earning assets	173	32	205
<b>Total</b>	<b>822</b>	<b>(73)</b>	<b>749</b>
<b>Interest expense</b>			
Deposits of non-bank customers	405	(196)	209
Deposits and balances of banks	93	3	96
Other borrowings	(13)	7	(5)
<b>Total</b>	<b>485</b>	<b>(186)</b>	<b>299</b>
<b>Net interest income</b>	<b>337</b>	<b>113</b>	<b>450</b>

## Management Discussion and Analysis

### NON-INTEREST INCOME

	2007 S\$m	2006 S\$m	+ / (-) %
<b>Fees and commissions</b>			
Brokerage	136	72	89
Wealth management	163	129	27
Fund management	86	72	20
Credit card	56	48	17
Loan-related	124	81	53
Trade-related and remittances	115	92	25
Guarantees	23	24	(5)
Investment banking	41	31	34
Service charges	44	33	34
Others	19	16	20
Sub-total	808	597	35
<b>Dividends</b>	55	77	(28)
<b>Rental income</b>	62	78	(20)
<b>Profit from life assurance</b>	509	376	35
<b>Premium income from general insurance</b>	65	59	9
<b>Other income</b>			
Net dealing income:			
Foreign exchange	186	144	29
Securities and derivatives	(12)	1	NM
Net gains from investment securities	202	46	343
Net gains from disposal of properties	5	8	(41)
Net loss from disposal of subsidiaries	–	(6)	NM
Others	63	67	(6)
Sub-total	444	260	71
<b>Total core non-interest income</b>	1,944	1,448	34
Divestment gains	92	598	(85)
<b>Total non-interest income</b>	2,036	2,045	–
Fees and commissions/Total income <sup>(1)</sup>	19.3%	18.4%	
Non-interest income/Total income <sup>(1)</sup>	46.4%	44.7%	

<sup>(1)</sup> Excludes divestment gains.

Non-interest income, excluding divestment gains, grew 34% to S\$1,944 million in 2007. The robust growth was driven by strong contributions from fee-based activities, higher profit from life assurance, as well as higher gains from the sale of investment securities.

Fees and commissions rose 35% to S\$808 million in 2007, with the increase led by stock-broking, wealth management, loan-related and trade-related activities. Profit from life assurance was 35% higher, due mainly to healthy underwriting results in Singapore and Malaysia and strong investment gains. Foreign exchange income rose 29% to S\$186 million, while net gains from investment securities increased from S\$46 million to S\$202 million. Securities and derivatives dealing registered a net loss of S\$12 million in 2007, attributable to mark-to-market losses of S\$18 million on credit default swaps linked to the Bank's synthetic corporate CDO portfolio.

Non-interest income accounted for 46.4% of the Group's total core income in 2007, compared to 44.7% in 2006.



## Management Discussion and Analysis

### OPERATING EXPENSES

	2007 S\$m	2006 S\$m	+ / (-) %
<b>Staff costs</b>	<b>946</b>	722	31
<b>Property and equipment</b>			
Depreciation	104	104	–
Maintenance and hire	66	61	7
Rental expenses	30	24	25
Others	101	88	15
	<b>301</b>	277	9
<b>Other operating expenses</b>	<b>433</b>	332	30
<b>Total operating expenses</b>	<b>1,680</b>	1,331	26
<b>Group staff strength</b>			
Period end	<b>18,676</b>	15,858	18
Average	<b>17,431</b>	15,270	14
Cost to income ratio <sup>(1)</sup>	<b>40.1%</b>	41.1%	

<sup>(1)</sup> Excludes divestment gains from income.

Operating expenses increased by 26% to S\$1,680 million in 2007. Approximately 41% of the expense increase was associated with the Group's overseas business expansion, particularly in Indonesia and China, as well as business volume-related and performance incentive compensation costs.

Total staff costs rose 31% to S\$946 million in 2007, due to higher base salaries, increased bonus accruals in tandem with the Group's better performance, and increased headcount. Group headcount rose 18% year-on-year, with more than 80% of the increase occurring in overseas markets, including Malaysia, Indonesia and China. During the year, Bank NISP opened 93 additional branches and offices in Indonesia, while the Group's locally-incorporated banking subsidiary in China commenced operations.

Premises and equipment costs increased 9% to S\$301 million, due mainly to higher IT hardware and software costs and premises rental costs. Other operating expenses rose 30% to S\$433 million, contributed by increases in business promotion expenses, volume-related brokerage and processing fees, and legal and professional fees. Business promotion expenses increased as the Group embarked on several thematic and service improvement projects such as the "Q" advertising campaign, credit card promotions and Sunday Banking.

As revenue growth of 29% exceeded expenses increase of 26%, the cost-to-income ratio for 2007 fell slightly to 40.1%, from 41.1% in 2006.

### ALLOWANCES FOR LOANS AND OTHER ASSETS

	2007 S\$m	2006 S\$m	+ / (-) %
<b>Specific allowances/(write-back) for loans</b>			
Singapore	(58)	(1)	NM
Malaysia	(12)	22	(155)
Others	(38)	#	NM
	<b>(108)</b>	21	(608)
<b>Allowances for CDOs</b>	<b>231</b>	–	NM
<b>Allowances and impairment charges/(write-back) for other assets</b>	<b>(87)</b>	(19)	363
<b>Net allowances and impairment</b>	<b>36</b>	2	NM

# Amount less than S\$0.5 million.

## Management Discussion and Analysis

### ALLOWANCES FOR LOANS AND OTHER ASSETS (CONTINUED)

The Group made total allowances of S\$231 million for its investments in CDOs in 2007, of which S\$221 million were taken in the third quarter and S\$10 million in the fourth quarter. Allowances of S\$226 million (US\$153 million) were made for the Bank's US\$181 million investment in ABS CDOs, which have some exposure to US sub-prime mortgage assets. The carrying value of the ABS CDO portfolio was reduced by 85% to S\$41 million (US\$28 million) as at end-2007. In addition, GEH made an allowance of S\$5 million for the CDOs invested under its shareholders' funds, reducing their carrying value to S\$13 million as at end-2007.

Loan recoveries, repayments, and upgrades resulted in a net write-back of S\$108 million in specific allowances for loans. In addition, there was a net reversal of S\$87 million in allowances for other assets, mainly office properties in Singapore. As a result, net allowances for the year were S\$36 million, compared to S\$2 million in 2006.

### LOANS AND ADVANCES

	2007 S\$m	2006 S\$m	+ / (-) %
<b>By Industry</b>			
Agriculture, mining and quarrying	1,116	986	13
Manufacturing	6,278	5,043	24
Building and construction	13,653	9,332	46
Housing loans	19,247	18,149	6
General commerce	6,943	5,812	19
Transport, storage and communication	3,922	2,537	55
Financial institutions, investment and holding companies	10,610	8,416	26
Professionals and individuals	7,385	7,330	1
Others	3,621	3,528	3
	<b>72,775</b>	61,132	19
<b>By Currency</b>			
Singapore Dollar	42,617	37,114	15
United States Dollar	9,417	7,990	18
Malaysian Ringgit	10,869	9,044	20
Indonesian Rupiah	2,402	2,323	3
Others	7,471	4,662	60
	<b>72,775</b>	61,132	19
<b>By Geographical Sector <sup>(1)</sup></b>			
Singapore	45,311	39,491	15
Malaysia	12,102	10,417	16
Other ASEAN	4,446	3,737	19
Greater China	5,133	3,103	65
Other Asia Pacific	3,073	1,866	65
Rest of the World	2,710	2,519	8
	<b>72,775</b>	61,132	19

<sup>(1)</sup> Loans by geographical sector are based on where the credit risks reside, regardless of where the transactions are booked.

The Group's loan book increased by 19% to S\$72.8 billion as at 31 December 2007, boosted by growth in corporate and SME loans in Singapore, Malaysia and overseas markets. Housing loans in Singapore also picked up during the second half of the year. By industry, the increase in loans was broad-based, with the largest increases derived from the building and construction, non-bank financial institutions and investment holding companies, transport and communication and manufacturing sectors.

## Management Discussion and Analysis

### NON-PERFORMING LOANS

#### NPLs by Grading and Geography

	Total NPLs <sup>(1)</sup> S\$m	Substandard NPLs S\$m	Doubtful NPLs S\$m	Loss NPLs S\$m	Secured NPLs as % of total NPLs %	Non-bank NPLs as % of non-bank loans <sup>(2)</sup> %
<b>Singapore</b>						
<b>2007</b>	<b>512</b>	<b>185</b>	<b>185</b>	<b>141</b>	<b>66.6</b>	<b>1.1</b>
2006	951	382	336	233	60.6	2.4
<b>Malaysia</b>						
<b>2007</b>	<b>548</b>	<b>335</b>	<b>114</b>	<b>98</b>	<b>63.0</b>	<b>4.3</b>
2006	652	401	143	108	57.9	6.0
<b>Others</b>						
<b>2007</b>	<b>294</b>	<b>71</b>	<b>151</b>	<b>72</b>	<b>47.4</b>	<b>1.3</b>
2006	226	72	103	51	42.0	2.0
<b>Group</b>						
<b>2007</b>	<b>1,354<sup>(3)</sup></b>	<b>592</b>	<b>450</b>	<b>312</b>	<b>60.9</b>	<b>1.7</b>
2006	1,829	854	583	392	57.3	3.0

<sup>(1)</sup> Comprises non-bank loans, debt securities and contingent facilities.

<sup>(2)</sup> Excludes debt securities.

<sup>(3)</sup> Include CDOs of S\$86 million.

The Group's asset quality continued to improve. As at 31 December 2007, total non-performing loans ("NPLs") were S\$1.35 billion, down 26% from 31 December 2006. Singapore NPLs amounted to S\$0.51 billion, while Malaysia NPLs were S\$0.55 billion. These accounted for 38% and 40% of total NPLs respectively. Of the total NPLs, 44% were in the substandard category while 61% were secured by collateral.

The Group's NPL ratio was 1.7% in December 2007, an improvement over 3.0% in December 2006.

	2007		2006	
	S\$m	% of gross loans	S\$m	% of gross loans
<b>NPLs by Industry</b>				
Loans and advances				
Agriculture, mining and quarrying	12	1.0	14	1.4
Manufacturing	271	4.3	365	7.2
Building and construction	187	1.4	251	2.7
Housing loans	301	1.6	380	2.1
General commerce	146	2.1	304	5.2
Transport, storage and communication	22	0.6	20	0.8
Financial institutions, investment and holding companies	68	0.6	155	1.8
Professionals and individuals	170	2.3	253	3.4
Others	61	1.7	63	1.8
Sub-total	1,238	1.7	1,804	3.0
Debt securities	116		25	
	1,354		1,829	

## Management Discussion and Analysis

### CUMULATIVE ALLOWANCES FOR LOANS

	Total cumulative allowances S\$m	Specific allowances S\$m	Portfolio allowances S\$m	Specific allowances as % of total NPLs %	Cumulative allowances as % of total NPLs %
<b>Singapore</b>					
<b>2007</b>	<b>740</b>	<b>203</b>	<b>537</b>	<b>39.5</b>	<b>144.4</b>
2006	1,025	397	628	41.8	107.8
<b>Malaysia</b>					
<b>2007</b>	<b>422</b>	<b>232</b>	<b>190</b>	<b>42.3</b>	<b>77.1</b>
2006	472	310	163	47.5	72.5
<b>Others</b>					
<b>2007</b>	<b>410</b>	<b>177</b>	<b>233</b>	<b>60.4</b>	<b>139.5</b>
2006	348	178	170	78.6	153.7
<b>Group</b>					
<b>2007</b>	<b>1,571</b>	<b>612<sup>(1)</sup></b>	<b>960</b>	<b>45.2</b>	<b>116.1</b>
2006	1,845	884	961	48.4	100.9

<sup>(1)</sup> Includes allowances of S\$82 million for classified CDOs.

As at 31 December 2007, the Group's total cumulative allowances for loans amounted to S\$1.57 billion, comprising S\$0.61 billion in specific allowances, and S\$0.96 billion in portfolio allowances. The cumulative specific allowances included S\$82 million in allowances for classified CDOs. Total cumulative allowances were 116.1% of total NPLs at 31 December 2007, higher than the coverage of 100.9% at 31 December 2006.

## Management Discussion and Analysis

### DEPOSITS

	2007 S\$m	2006 S\$m	+ / (-) %
Deposits of non-bank customers	<b>88,788</b>	75,115	18
Deposits and balances of banks	<b>14,726</b>	11,869	24
<b>Total deposits</b>	<b>103,514</b>	86,984	19
<b>Non-Bank Deposits By Product</b>			
Fixed deposits	<b>58,765</b>	50,197	17
Savings deposits	<b>12,999</b>	11,215	16
Current account	<b>12,538</b>	10,035	25
Others	<b>4,486</b>	3,668	22
	<b>88,788</b>	75,115	18
<b>Non-Bank Deposits By Currency</b>			
Singapore Dollar	<b>52,873</b>	46,018	15
United States Dollar	<b>11,473</b>	8,352	37
Malaysian Ringgit	<b>13,633</b>	11,957	14
Indonesian Rupiah	<b>2,903</b>	2,957	(2)
Others	<b>7,906</b>	5,831	36
	<b>88,788</b>	75,115	18
Loans to deposits ratio (net non-bank loans/non-bank deposits)	<b>80.3%</b>	79.0%	

As at 31 December 2007, total deposits were S\$103.5 billion, an increase of 19% year-on-year. Non-bank customer deposits grew by 18% to S\$88.8 billion, with increases of 17% in fixed deposits, 16% in savings deposits, and 25% in current account deposits. Deposits and balances of banks grew by 24% to S\$14.7 billion.

The Group's loans to deposits ratio was 80.3% at 31 December 2007, higher than the 79.0% in December 2006.

## Management Discussion and Analysis

### PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer and product segments: Consumer Banking, Business Banking, Treasury and Insurance.

#### Revenue and Operating Profit by Business Segment

	Total Income			Operating Profit after allowances and amortisation		
	2007 S\$m	2006 S\$m	+ / (-) %	2007 S\$m	2006 S\$m	+ / (-) %
Consumer Banking	1,209	1,010	20	631	476	32
Business Banking	1,373	1,124	22	998	783	27
Treasury	448	260	72	313	176	77
Insurance <sup>(1)</sup>	812	606	34	636	462	38
Others <sup>(2)</sup>	346	242	43	(152)	(32)	NM
<b>Group <sup>(1) (2)</sup></b>	<b>4,188</b>	<b>3,242</b>	<b>29</b>	<b>2,426</b>	<b>1,864</b>	<b>30</b>

<sup>(1)</sup> Excludes pre-tax divestment gains of S\$53 million for 2006.

<sup>(2)</sup> Excludes pre-tax divestment gains of S\$92 million for 2007 and S\$545 million for 2006.

#### Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

For 2007, operating profit of the consumer segment increased 32% to S\$631 million. The broad-based revenue growth in net interest income and fee income, coupled with lower loan allowances, more than offset the growth in expenses.

#### Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

Business Banking's operating profit grew by 27% to S\$998 million in 2007. The improved performance was driven by increase in net interest income due to strong loans and deposits growth, higher fee income, as well as higher recoveries from non-performing assets, partly offset by higher expenses.

#### Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

Treasury's operating profit rose 77% to S\$313 million in 2007. The strong profit growth was driven by significantly higher net interest income and foreign exchange gains, partly offset by lower gains from dealing in securities and derivatives, and higher expenses.

#### Insurance

The Group's insurance business, including its fund management activities, is carried out by 86.9%-owned subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

For 2007, operating profit from GEH increased 38% to S\$636 million, driven by higher insurance income and gains from investment securities. After amortisation of intangible assets, minority interests and tax, GEH's contribution to Group net profit was S\$449 million in 2007, an increase of 26% from S\$357 million in 2006.

#### Others

The "Others" segment comprises Bank NISP, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments and items not attributed to business segments.

## Management Discussion and Analysis

### PERFORMANCE BY GEOGRAPHY

	2007 S\$m	%	2006 S\$m	%
<b>Total core income</b>				
Singapore <sup>(1)</sup>	2,717	65	2,116	65
Malaysia	961	23	747	23
Other ASEAN	315	8	238	7
Asia Pacific	157	4	104	3
Rest of the World	38	1	36	1
	<b>4,188</b>	<b>100</b>	3,242	100
<b>Profit before income tax</b>				
Singapore <sup>(1)</sup>	1,713	70	1,244	66
Malaysia	554	23	498	27
Other ASEAN	93	4	71	4
Asia Pacific	63	3	42	2
Rest of the World	24	1	23	1
	<b>2,447</b>	<b>100</b>	1,878	100
<b>Total assets</b>				
Singapore	117,833	67	105,706	70
Malaysia	36,309	21	31,275	21
Other ASEAN	5,940	4	5,126	3
Asia Pacific	10,951	6	6,349	4
Rest of the World	3,574	2	2,764	2
	<b>174,607</b>	<b>100</b>	151,220	100

<sup>(1)</sup> Excludes pre-tax divestment gains of S\$92 million for 2007 and S\$598 million for 2006.

The geographical segment analysis is based on the location where the assets or transactions are booked. For 2007, Singapore accounted for 65% of total income and 70% of pre-tax profit, while Malaysia accounted for 23% of both total income and pre-tax profit. The 2007 pre-tax profit for Malaysia include the impact of allowances of S\$117 million for the CDOs booked in Labuan. If the S\$117 million allowances are classified under Singapore, the adjusted pre-tax contribution of Singapore and Malaysia would be 65% and 27% respectively.

## Management Discussion and Analysis

### CAPITAL ADEQUACY RATIO

	2007 S\$m	2006 S\$m
<b>Tier 1 Capital</b>		
Paid-up ordinary and preference shares	5,520	5,481
Disclosed reserves/others	9,366	8,136
Goodwill/others	(3,455)	(3,560)
	<b>11,431</b>	10,057
<b>Upper Tier 2 Capital</b>		
Cumulative portfolio allowances	713	704
Subordinated term notes	2,426	3,112
Revaluation surplus on equity securities	247	205
	<b>3,386</b>	4,021
<b>Lower Tier 2 Capital</b>	<b>225</b>	–
<b>Tier 2 Capital</b>	<b>3,611</b>	4,021
<b>Tier 1 and Tier 2 Capital</b>	<b>15,041</b>	14,078
Capital investments in insurance subsidiaries	(2,506)	(1,889)
Others	(124)	(85)
<b>Eligible Total Capital</b>	<b>12,411</b>	12,105
<b>Risk weighted assets including marketing risk</b>	<b>99,381</b>	76,514
<b>Tier 1 ratio</b>	<b>11.5%</b>	13.1%
<b>Total capital adequacy ratio</b>	<b>12.4%</b>	15.8%

The Group's total capital adequacy ratio ("CAR") was 12.4% and Tier 1 CAR was 11.5% in December 2007, down from 15.8% and 13.1% respectively, in December 2006. The declines were mainly due to the strong growth in risk weighted assets. In addition, total CAR was impacted by the annual amortisation of the Bank's Tier 2 subordinated debt issued in 2001. The Group raised additional S\$225 million of Lower Tier 2 capital during the year.

In 2007, the Bank bought back approximately 5.0 million of its ordinary shares for S\$43 million. Shares bought back are held as treasury shares. Under the third S\$500 million share buyback programme which commenced in June 2006, S\$269 million had been utilised as at end-2007.

### VALUATION SURPLUS

	2007 S\$m	2006 S\$m
Properties <sup>(1)</sup>	2,513	1,600
Equity securities <sup>(2)</sup>	2,654	2,962
<b>Total</b>	<b>5,167</b>	4,562

<sup>(1)</sup> Includes properties classified as investment properties and assets held for sale.

<sup>(2)</sup> Comprises investments in associates and quoted subsidiaries.

The Group's unrealised valuation surplus amounted to S\$5.17 billion as at 31 December 2007, an increase of 13% compared to 31 December 2006. The surplus for properties amounted to S\$2.51 billion, up significantly from S\$1.60 billion at end-2006 due mainly to the increase in property values in Singapore. The surplus of S\$2.65 billion for equity securities was primarily from the Group's holding of GEH shares.



## Directors' Report

For the financial year ended 31 December 2007

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2007.

### DIRECTORS

The directors of the Bank in office at the date of this report are as follows:

Cheong Choong Kong	Chairman
Michael Wong Pakshong	Vice Chairman
Bobby Chin Yoke Choong	
David Philbrick Conner	Chief Executive Officer
Giam Chin Toon	
Lee Seng Wee	
Lee Tih Shih	
Nasruddin Bin Bahari	
Neo Boon Siong	
Pramukti Surjaudaja	
Tsao Yuan, also known as Lee Tsao Yuan	
David Wong Cheong Fook	
Wong Nang Jang	
Patrick Yeoh Khwai Hoh	

Dr Cheong Choong Kong, Dr Lee Tih Shih, Professor Neo Boon Siong and Mr Wong Nang Jang retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Mr Lee Seng Wee and Mr Patrick Yeoh Khwai Hoh retire pursuant to section 153 of the Companies Act, Cap. 50. Resolutions will be proposed for their re-appointment under section 153(6) of the said Act to hold office until the next annual general meeting of the Bank.

Mr Michael Wong Pakshong and Tan Sri Dato Nasruddin Bin Bahari, who retire pursuant to section 153 of the Companies Act, Cap. 50, have expressed their wish to retire at this forthcoming annual general meeting and will not offer themselves for re-appointment.

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object is to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this report.

## Directors' Report

For the financial year ended 31 December 2007

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interests in the share capital of the Bank and its related corporations, as follows:

	Holdings in which directors have a direct interest		Holdings in which directors are deemed to have an interest	
	At 31.12.2007	At 1.1.2007	At 31.12.2007	At 1.1.2007
<b>BANK</b>				
<b>Ordinary shares</b>				
Cheong Choong Kong	97,179	88,471	69,487 <sup>(1)</sup>	76,522 <sup>(2)</sup>
Michael Wong Pakshong	131,998	127,198	59,998 <sup>(5)</sup>	59,998 <sup>(5)</sup>
Bobby Chin Yoke Choong	4,800	–	40,000 <sup>(5)</sup>	40,000 <sup>(5)</sup>
David Conner	1,009,393	573,919	288,018 <sup>(3)</sup>	285,145 <sup>(4)</sup>
Giam Chin Toon	9,600	4,800	–	–
Lee Seng Wee	6,649,194	6,644,394	3,901,094 <sup>(5)</sup>	3,901,094 <sup>(5)</sup>
Lee Tih Shih	2,357,952	2,353,152	–	–
Nasruddin Bin Bahari	14,400	9,600	–	–
Neo Boon Siong	9,600	4,800	–	–
Tsao Yuan	14,400	9,600	936 <sup>(5)</sup>	936 <sup>(5)</sup>
David Wong Cheong Fook	21,600	16,800	–	–
Wong Nang Jang	379,746	344,946	165,322 <sup>(5)</sup>	145,322 <sup>(5)</sup>
Patrick Yeoh Khwai Hoh	14,400	9,600	–	–
<b>4.2% Non-Cumulative Non-Convertible Class G Preference Shares</b>				
Cheong Choong Kong	15,000	15,000	–	–
Michael Wong Pakshong	22,000	22,000	–	–
Bobby Chin Yoke Choong	–	–	8,227 <sup>(5)</sup>	8,227 <sup>(5)</sup>
David Conner	50,000	50,000	–	–
Lee Seng Wee	800,000	800,000	600,000 <sup>(5)</sup>	600,000 <sup>(5)</sup>
Lee Tih Shih	240,000	240,000	–	–
Tsao Yuan	–	–	7,000 <sup>(5)</sup>	7,000 <sup>(5)</sup>
Wong Nang Jang	38,216	38,216	21,372 <sup>(5)</sup>	21,372 <sup>(5)</sup>

<sup>(1)</sup> Comprises deemed interest of 9,600 ordinary shares held by spouse and 59,887 ordinary shares under the OCBC Deferred Share Plan.

<sup>(2)</sup> Comprises deemed interest of 9,600 ordinary shares held by spouse and 66,922 ordinary shares under the OCBC Deferred Share Plan.

<sup>(3)</sup> Comprises deemed interest of 276,856 ordinary shares under the OCBC Deferred Share Plan and acquisition rights of 11,162 ordinary shares under the OCBC Employee Share Purchase Plan.

<sup>(4)</sup> Comprises deemed interest of 273,983 ordinary shares under the OCBC Deferred Share Plan and acquisition rights of 11,162 ordinary shares under the OCBC Employee Share Purchase Plan.

<sup>(5)</sup> Ordinary shares/preference shares held by spouse.

None of the directors have direct or deemed interest in the 4.5% non-cumulative non-convertible Class E preference shares.

## Directors' Report

For the financial year ended 31 December 2007

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

(b) According to the register of directors' shareholdings, certain of the directors holding office at the end of the financial year had interests in options to acquire ordinary shares of the Bank granted pursuant to the OCBC Share Option Schemes as set out in the paragraphs on "Share options".

Name of Director	Number of unissued ordinary shares	
	At 31.12.2007	At 1.1.2007
Cheong Choong Kong	714,800	514,800
David Conner	3,395,000	3,464,000
Wong Nang Jang	393,600	573,600

Save as disclosed above, the directors did not hold any interest in shares in, or debentures of, the Bank or any related corporation either at the beginning or end of the financial year.

The directors' interests in shares and share options in the Bank as at 21 January 2008 were the same as those as at 31 December 2007.

### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive benefits by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in this report, and except for professional fees paid to a firm of which a director is a member as disclosed in the financial statements.

On 12 June 2006, an agreement was made between Dr Cheong Choong Kong ("Dr Cheong"), non-executive director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as consultant to oversee and supervise the strategic planning of the Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the group. Under the agreement, in respect of the financial year ended 31 December 2007, Dr Cheong has received payments and benefits amounting to \$1,090,562, and will receive a variable bonus of \$100,000, or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of the Bank. In respect of financial year ended 31 December 2006, Dr Cheong received (on a pro-rated basis for the period July to December 2006) aggregate payments and benefits of \$556,071 and variable bonus of a total amount of \$325,860 comprising pro-rated bonus of \$50,000 and additional bonus of \$275,860.

In his capacity as a director of the Bank, Dr Cheong is also eligible for any directors' fees or share options that are recommended by the Board of Directors. Dr Cheong's total remuneration (payments, benefits, variable bonus, directors' fees and share options) for the financial year ended 31 December 2007 is reflected in the Directors' Remuneration table in the Corporate Governance Section of the Annual Report.

### SHARE OPTIONS

(a) OCBC Share Option Schemes

(i) OCBC Executives' Share Option Scheme 1994

The OCBC Executives' Share Option Scheme 1994 ("1994 Scheme") in respect of the grant of options to acquire ordinary shares in the Bank was approved at an extraordinary general meeting on 11 June 1994. Options were granted to executives of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Manager and above. The 1994 Scheme was terminated on 3 August 2001 and replaced by the OCBC Share Option Scheme 2001.

Outstanding options under the 1994 Scheme will remain valid until their respective dates of expiration of the options. Particulars of the 1998 Replacement Options, 1999 Replacement Options, 2000 Options and 2001 Options were set out in the directors' reports for the financial years ended 31 December 1999 to 2001.

(ii) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("2001 Scheme") in respect of the grant of options to acquire ordinary shares in the Bank was approved at an extraordinary general meeting on 17 May 2001, to replace the 1994 Scheme. Executives of the Group (including executive and non-executive directors), of the rank of Manager and above, are eligible to participate in the 2001 Scheme. The Bank will either issue new shares or transfer treasury shares to the executives upon exercise of options.

Particulars of the 2002 Options, 2002A Options, 2002B Options, 2003 Options, 2004 Options, 2004A Options, 2004B Options, 2005 Options, 2005A Options, 2006 Options, 2006A Options and 2006B Options were set out in the directors' reports for the financial years ended 31 December 2002 to 2006.

## Directors' Report

For the financial year ended 31 December 2007

### SHARE OPTIONS (CONTINUED)

#### (a) OCBC Share Option Schemes (continued)

The Schemes are administered by the Remuneration Committee and the members at the date of this report are as follows:

Michael Wong Pakshong, Chairman  
 Cheong Choong Kong  
 Lee Tih Shih  
 Nasruddin Bin Bahari  
 Tsao Yuan

Dr Cheong Choong Kong did not participate in any deliberation or decision in respect of options granted to him.

#### (b) Share options issued during the financial year

During the financial year, pursuant to the 2001 Scheme, 5,510,350 ordinary shares were granted to 540 officers of the Group in consideration of the payment of \$1 by each officer for options granted. These included options granted to the following directors of the Bank:

Name of Director	Designation at the time of granting the options	Number of options	Acquisition price per share	Exercise period
Cheong Choong Kong	Chairman	200,000	\$8.590	15.3.2008 to 13.3.2012
David Conner	Chief Executive Officer	551,000	\$8.590	15.3.2008 to 13.3.2017

No options have been granted to controlling shareholders of the Bank or their associates.

No participant has received 5% or more of the total number of options available under the scheme during the financial year. No options were granted at a discount during the financial year.

Statutory and other information regarding the Options issued in 2007 are as follows:

- (i) Options issued on 14 March 2007 ("2007 Options" and "2007B Options") to Group executives (including executive directors) will expire on 13 March 2017. The exercise period is from 15 March 2008 to 13 March 2017, both dates inclusive. The acquisition price is \$8.59 per ordinary share.
- (ii) Options issued on 14 March 2007 ("2007NED Options") to a non-executive director will expire on 13 March 2012. The exercise period is from 15 March 2008 to 13 March 2012, both dates inclusive. The acquisition price is \$8.59 per ordinary share.
- (iii) Options issued on 15 January 2007 ("2007A Options") to a senior executive will expire on 14 January 2017. The exercise period is from 16 January 2008 to 14 January 2017, both dates inclusive. The acquisition price is \$7.60 per ordinary share.
- (iv) The acquisition prices were equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange Securities Trading Limited over five consecutive trading days immediately prior to the date when an offer to grant an option was made to a grantee.
- (v) Based on the rules of the 2001 Scheme, options granted to executives (including executive directors) are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. Options granted to non-executive directors are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 5th anniversary of the respective dates of grant or, if applicable laws permit, on such later date as the Remuneration Committee may determine.
- (vi) Options may be exercised in whole or in part, by giving notice in accordance with the provisions of Rule 9 of the 2001 Scheme. Under Rule 9.2, grantees must elect one of the following alternatives when exercising options:
  - (1) All share election – receive shares in full with remittance of the aggregate acquisition cost in accordance with Rule 9.4;
  - (2) Partial share election – receive shares representing the notional profit if all ordinary shares had been sold on his behalf in accordance with Rule 9.5 and no remittance is required;
  - (3) Cash election – receive in cash the profit derived from the sale of all shares in accordance with Rule 9.6 and no remittance is required.
- (vii) In accordance with the vesting schedule of the 2001 Scheme, the percentage of options will vest with grantees as follows:
 

On or before the 1st anniversary of the date of grant	Nil
On the 1st anniversary from date of grant	33%
On the 2nd anniversary from date of grant	33%
On the 3rd anniversary from date of grant	34%

## Directors' Report

For the financial year ended 31 December 2007

### SHARE OPTIONS (CONTINUED)

(b) Share options issued during the financial year (continued)

(viii) Unexercised options will lapse by reason of Rule 7.3 of the 2001 Scheme relating to the cessation of employment of the grantee unless otherwise determined by the Remuneration Committee.

(ix) The number of shares which may be acquired by a grantee or the acquisition price or both are subject to adjustment, as confirmed by the auditors of the Bank that such adjustment is fair and reasonable, by reason of any variation in the issued ordinary share capital of the Bank (whether by way of rights issue or capitalisation of profits or reserves or otherwise) while an option remains unexercised.

(x) The persons to whom these options have been issued have no right to participate by virtue of these options in any share issue of any other company.

(c) Share options outstanding

During the financial year, changes in the number of unissued shares under options granted to directors were as follows:

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding as at end of financial year
Cheong Choong Kong	200,000 (2007NED Options)	714,800	–	714,800
David Conner	551,000 (2007 Options)	4,115,000	720,000	3,395,000
Wong Nang Jang	–	927,539	533,939	393,600

The number of unissued ordinary shares of the Bank under options outstanding at the end of financial year is as follows:

OCBC Share Options	At 31.12.2007	Acquisition price per share	Exercise period
1998 Replacement Options	296,328	\$2.675	22.01.2001 to 21.01.2008
1999 Replacement Options	1,456,142	\$3.139	10.12.2001 to 09.12.2008
2000 Options	2,682,795	\$4.542	06.12.2002 to 05.12.2009
2001 Options	4,318,486	\$5.367	05.12.2003 to 04.12.2010
2002 Options	6,501,303	\$5.742	09.04.2003 to 08.04.2012
2002A Options	720,000	\$5.692	23.04.2003 to 22.04.2012
2002B Options	180,000	\$4.367	24.10.2003 to 23.10.2012
2003 Options	5,301,677	\$4.067	28.03.2004 to 26.03.2013
2004 Options	4,716,205	\$5.142	16.03.2005 to 14.03.2014
2004A Options	160,800	\$5.492	20.08.2005 to 18.08.2014
2004B Options	103,200	\$5.667	23.11.2005 to 21.11.2014
2005 Options	4,714,251	\$5.767	15.03.2006 to 13.03.2015
2005A Options	1,924,596	\$5.784	09.04.2006 to 07.04.2015
2006 Options	3,773,621	\$6.820	15.03.2007 to 13.03.2016
2006A Options	12,400	\$6.780	24.01.2007 to 22.01.2016
2006B Options	1,198,670	\$6.580	24.05.2007 to 22.05.2016
2007 Options	3,666,750	\$8.590	15.03.2008 to 13.03.2017
2007A Options	445,000	\$7.600	16.01.2008 to 14.01.2017
2007B Options	1,040,000	\$8.590	15.03.2008 to 13.03.2017
2007NED Options	200,000	\$8.590	15.03.2008 to 13.03.2012
	43,412,224		

## Directors' Report

For the financial year ended 31 December 2007

### OCBC DEFERRED SHARE PLAN

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003, a share-based plan administered by the Remuneration Committee in accordance with the rules governing the DSP. The DSP is a discretionary incentive and retention award programme extended to executives of the Group of the rank of Assistant Manager and above at the absolute discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the absolute discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, the Bank will either purchase existing shares from the market or transfer treasury shares for release to the grantees at the end of the respective vesting periods.

The Remuneration Committee had in January 2007, amended the rules governing the DSP for unvested deferred shares to be entitled to dividends. In the event that the Bank declares any dividend or other distributions in respect of the ordinary shares, the number of unvested deferred shares may be adjusted at the absolute discretion of the Remuneration Committee.

During the financial year, total awards of 1,438,600 ordinary shares (including an award of 80,287 ordinary shares granted to an executive director of the Bank) were granted to eligible executives under the DSP.

During the financial year, total awards of 109,421 ordinary shares (including awards of 9,417 ordinary shares granted to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2006 and interim dividend for financial year ended 31 December 2007.

During the financial year, 868,964 deferred shares were released to grantees, of which 93,866 deferred shares were released to directors of the Bank.

### OCBC EMPLOYEE SHARE PURCHASE PLAN

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. All employees of the Group ("participants") who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates. The purpose of the ESP Plan is to provide participants with an opportunity to increase their personal equity interest in the Bank. The Bank will either issue new shares or transfer treasury shares to participants upon the exercise or conversion of acquisition rights. The ESP Plan is administered by the Remuneration Committee.

The second offering of ESP Plan commenced on 1 July 2006 and will expire on 30 June 2008. The acquisition price is \$6.45 per ordinary share. Under the second offering, 3,338 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 8,222,248 ordinary shares. During the financial year, 1,411,607 treasury shares were transferred to participants upon the exercise of acquisition rights.

No participant has been granted rights to acquire ordinary shares under the ESP Plan, which in aggregate, represent 5% or more of the total number of ordinary shares available under the ESP Plan.

- (a) Other information regarding acquisition rights of ESP Plan
- (i) Each offering period consists of a 24-month period (or such other period not exceeding 10 years as the Remuneration Committee may prescribe), except that the commencement date of an offering period shall not fall during the period of 30 days immediately preceding the date of announcement of the Bank's financial results for its financial year or the period of 14 days immediately preceding the date of announcement of the Bank's financial results for the first three quarters of its financial year, and provided further that no offering period may commence on any date during which another offering period is outstanding.
  - (ii) The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the acquisition price of the ordinary shares (as determined by the Remuneration Committee).
  - (iii) A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.
  - (iv) Termination of employment of a participant for any reason, including retirement and death and the bankruptcy of a participant, shall be treated as automatic withdrawal from the ESP Plan under Rule 8.4. However, the transfer of employment of a participant between companies within the Group shall not be treated as termination of employment.

## Directors' Report

For the financial year ended 31 December 2007

### OCBC EMPLOYEE SHARE PURCHASE PLAN (CONTINUED)

(a) Other information regarding acquisition rights of ESP Plan (continued)

- (v) Each participant who has elected to acquire ordinary shares shall be deemed to have elected to acquire the number of ordinary shares calculated by using the amount standing to the credit of the participant's ESP Plan account as at the last day of the relevant offering period or the amount specified in the participant's Acquisition Form but shall not exceed \$72,000 (or such other amount as may be prescribed by the Remuneration Committee) divided by the acquisition price and the resulting number of ordinary shares be rounded down to the nearest whole share. The balance of the cash or CPF contribution (together with accrued interest on the monthly contributions), if any, will be refunded to the participant.
- (vi) Participants are allowed to acquire ordinary shares at the end of an offering period; or at any one time after the first anniversary of the first day of an offering period by completing and signing an Acquisition Form stating the conversion amount. The conversion amount shall not exceed the amount standing to the credit of the participant's Plan Account as at the date of submission of his Acquisition Form.
- (vii) If a participant wishes to discontinue contributions and withdraw from the ESP Plan during an offering period, he may do so by completing and signing a Discontinuance Form. No partial withdrawals from a participant's ESP Plan account shall be permitted.

(b) Acquisition rights outstanding

The particulars relating to acquisition rights of the directors under the ESP Plan for the financial year under review were as follows:

Name of Director	Rights to acquire shares issued during the financial year	Aggregate number of shares comprised in such rights since commencement of ESP Plan to end of financial year	Aggregate number of acquisition rights exercised since commencement of ESP Plan to end of financial year	Aggregate number of shares comprised in such rights outstanding under the ESP Plan as at end of financial year
Cheong Choong Kong	–	14,257	14,257	–
David Conner	–	25,419	14,257	11,162

As at 31 December 2007, the number of shares to be issued under the ESP Plan was 5,483,991 (including the participation of an executive director).

### EXERCISE OF OPTIONS AND ACQUISITION RIGHTS PURSUANT TO OPTION SCHEMES AND EMPLOYEE SHARE PURCHASE PLAN

During the financial year, the Bank transferred treasury shares pursuant to the Share Option Schemes and ESP Plan upon the exercise of options and acquisition rights:

	Acquisition price per share	Number of ordinary shares transferred
1997 Replacement Options	\$3.168	328,804
1998 Replacement Options	\$2.675	572,539
1999 Replacement Options	\$3.139	349,812
2000 Options	\$4.542	1,119,459
2001 Options	\$5.367	2,605,774
2002 Options	\$5.742	3,164,914
2003 Options	\$4.067	2,467,770
2004 Options	\$5.142	2,155,180
2005 Options	\$5.767	1,002,009
2005A Options	\$5.784	740,076
2006 Options	\$6.820	281,043
2006B Options	\$6.580	164,046
Employee Share Purchase Plan	\$6.450	1,411,607
		16,363,033

## Directors' Report

For the financial year ended 31 December 2007

### AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Bobby Chin Yoke Choong, Chairman  
Nasruddin Bin Bahari  
Neo Boon Siong  
Tsao Yuan  
David Wong Cheong Fook

The Audit Committee performed the functions specified in the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, MAS Guidelines for Corporate Governance and the Code of Corporate Governance. In performing its function, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, the results of their examination and findings on their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

- (a) response of the Bank's management and the assistance provided by officers of the Bank to the external and internal auditors; and
- (b) financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors.

The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings. The Audit Committee also reviewed the Bank's relationship with the external auditors, including their independence and objectivity.

The Audit Committee has nominated KPMG for re-appointment as auditors of the Bank at the forthcoming annual general meeting.

### AUDITORS

The auditors, KPMG, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,



**CHEONG CHOONG KONG**  
Director



**DAVID PHILBRICK CONNER**  
Director

Singapore  
21 February 2008



## Statement by Directors

For the financial year ended 31 December 2007

In the opinion of the directors,

- (a) the financial statements set out on pages 80 to 162 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2007, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors,



**CHEONG CHOONG KONG**  
Director



**DAVID PHILBRICK CONNER**  
Director

Singapore  
21 February 2008

## Independent Auditors' Report

To The Members of Oversea-Chinese Banking Corporation Limited

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2007, the income statements and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended; a summary of significant accounting policies and other explanatory notes set out on pages 80 to 162.

### **Directors' responsibility for the financial statements**

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

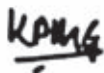
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion,

- (a) the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2007, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



**KPMG**  
Certified Public Accountants

Singapore  
21 February 2008

## Income Statements

For the financial year ended 31 December 2007

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest income		5,265,312	4,516,313	3,814,182	3,282,635
Interest expense		(3,021,103)	(2,722,255)	(2,353,201)	(2,132,883)
<b>Net interest income</b>	3	<b>2,244,209</b>	1,794,058	<b>1,460,981</b>	1,149,752
Premium income		5,793,155	5,225,491	–	–
Investment income		3,075,450	2,271,996	–	–
Net claims, surrenders and annuities		(4,843,439)	(4,939,969)	–	–
Change in life assurance fund contract liabilities <sup>(1)</sup>		(2,543,523)	(805,496)	–	–
Commission and others <sup>(1)</sup>		(972,438)	(1,375,859)	–	–
Profit from life assurance	4	509,205	376,163	–	–
Premium income from general insurance		64,939	59,409	–	–
Fees and commissions (net)	5	808,036	597,352	427,613	328,085
Dividends	6	55,405	128,911	618,302	427,736
Rental income		62,182	77,924	23,282	21,669
Other income	7	536,640	805,724	238,346	387,232
<b>Non-interest income</b>		<b>2,036,407</b>	2,045,483	<b>1,307,543</b>	1,164,722
<b>Total income</b>		<b>4,280,616</b>	3,839,541	<b>2,768,524</b>	2,314,474
Staff costs		(946,010)	(721,613)	(457,683)	(342,298)
Other operating expenses		(733,644)	(609,531)	(535,946)	(459,898)
<b>Total operating expenses</b>	8	<b>(1,679,654)</b>	(1,331,144)	<b>(993,629)</b>	(802,196)
<b>Operating profit before allowances and amortisation</b>		<b>2,600,962</b>	2,508,397	<b>1,774,895</b>	1,512,278
Amortisation of intangible assets (Allowances and impairment)/	38	(46,391)	(43,732)	–	–
write-back for loans and other assets	9	(36,164)	(2,426)	(328)	26,926
<b>Operating profit after allowances and amortisation</b>		<b>2,518,407</b>	2,462,239	<b>1,774,567</b>	1,539,204
Share of results of associates and joint ventures		20,937	13,651	–	–
<b>Profit before income tax</b>		<b>2,539,344</b>	2,475,890	<b>1,774,567</b>	1,539,204
Income tax expense	10	(356,104)	(369,818)	(153,653)	(203,262)
<b>Profit for the year</b>		<b>2,183,240</b>	2,106,072	<b>1,620,914</b>	1,335,942
<b>Attributable to:</b>					
Equity holders of the Bank		2,070,754	2,002,192		
Minority interests		112,486	103,880		
		<b>2,183,240</b>	2,106,072		
<b>Earnings per share (cents)</b>	11				
Basic		66	63		
Diluted		66	63		

Note:

<sup>(1)</sup> 2006 comparatives have been restated for the effect of the new tax basis on par fund policy liabilities amounting to \$617.4 million.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

## Balance Sheets

As at 31 December 2007

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>EQUITY</b>					
<b>Attributable to equity holders of the Bank</b>					
Share capital	13	5,520,141	5,480,943	5,520,141	5,480,943
Capital reserves	14	55,962	103,262	94,077	83,162
Statutory reserves	15	1,676,216	2,027,811	1,358,504	1,698,130
Fair value reserves		1,725,964	667,712	430,074	405,102
Revenue reserves	16	6,699,307	5,124,544	3,709,757	2,561,840
		15,677,590	13,404,272	11,112,553	10,229,177
<b>Minority interests</b>	17	1,161,222	1,086,631	–	–
<b>Total equity</b>		16,838,812	14,490,903	11,112,553	10,229,177
<b>LIABILITIES</b>					
Deposits of non-bank customers	18	88,788,394	75,114,981	70,415,116	59,363,176
Deposits and balances of banks	18	14,726,082	11,869,252	13,023,929	11,233,918
Due to subsidiaries		–	–	1,189,337	1,083,021
Due to associates		59,500	119,637	47,157	3,353
Trading portfolio liabilities		171,993	421,795	171,993	421,795
Derivative payables	19	2,696,546	2,113,796	2,589,755	2,050,881
Other liabilities	20	3,313,170	2,577,510	1,064,705	1,119,749
Current tax		648,669	599,046	319,513	286,653
Deferred tax <sup>(1)</sup>	21	1,162,693	991,066	123,130	136,887
Debts issued	22	4,969,577	5,130,673	5,032,021	5,359,096
		116,536,624	98,937,756	93,976,656	81,058,529
Life assurance fund liabilities <sup>(1)</sup>	23	41,231,856	37,791,012	–	–
<b>Total liabilities</b>		157,768,480	136,728,768	93,976,656	81,058,529
<b>Total equity and liabilities</b>		174,607,292	151,219,671	105,089,209	91,287,706
<b>ASSETS</b>					
Cash and placements with central banks	24	8,396,398	5,741,343	5,493,125	3,207,583
Singapore government treasury bills and securities	25	8,762,171	8,146,956	8,208,665	7,645,498
Other government treasury bills and securities	25	3,445,746	2,194,998	571,865	285,702
Placements with and loans to banks	26	15,105,109	17,750,089	13,210,696	16,409,952
Loans and bills receivable	27–30	71,316,000	59,309,000	54,490,406	46,478,716
Debt and equity securities	31	13,624,912	7,558,241	8,800,396	5,380,272
Assets pledged	44	888,654	1,896,579	888,654	523,771
Assets held for sale	45	912	6,506	2	805
Derivative receivables	19	2,937,082	2,414,434	2,817,939	2,353,842
Other assets	32	2,981,856	2,524,217	1,312,620	1,201,134
Deferred tax	21	45,449	48,188	666	1,966
Associates and joint ventures	34	243,416	309,214	96,416	96,593
Subsidiaries	35	–	–	6,510,411	5,122,029
Property, plant and equipment <sup>(2)</sup>	36	1,611,698	1,542,044	326,886	299,048
Investment property <sup>(2)</sup>	37	666,732	644,276	493,286	413,619
Goodwill and intangible assets	38	3,444,420	3,520,949	1,867,176	1,867,176
		133,470,555	113,607,034	105,089,209	91,287,706
Life assurance fund investment assets <sup>(2)</sup>	23	41,136,737	37,612,637	–	–
<b>Total assets</b>		174,607,292	151,219,671	105,089,209	91,287,706
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	42	8,861,142	6,819,168	7,137,357	5,153,705
Commitments	43	45,050,761	37,075,988	36,279,739	31,267,255
Derivative financial instruments	19	339,925,452	242,467,119	319,968,864	227,403,447

Notes:

<sup>(1)</sup> 2006 comparatives have been restated for the effect of the new tax basis on par fund policy liabilities amounting to \$488.8 million.

<sup>(2)</sup> 2006 comparatives have been restated for the reclassification of life assurance fund's property, plant and equipment of \$810.6 million from life assurance fund investment assets to be consistent with the current year's presentation, and the implementation of FRS 40 *Investment Property*.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

## Statement of Changes in Equity – Group

For the financial year ended 31 December 2007

In \$'000	Attributable to equity holders of the Bank						Minority interest	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2007</b>	<b>5,480,943</b>	<b>103,262</b>	<b>2,027,811</b>	<b>667,712</b>	<b>5,124,544</b>	<b>13,404,272</b>	<b>1,086,631</b>	<b>14,490,903</b>
Movements in fair value reserves:								
Gains taken to equity	–	–	–	1,232,861	–	1,232,861	14,908	1,247,769
Transferred to income statements on sale	–	–	–	(192,374)	–	(192,374)	(9,777)	(202,151)
Tax on net movements	–	–	–	17,765	–	17,765	(107)	17,658
Currency translation	–	–	–	–	(60,120)	(60,120)	(15,745)	(75,865)
Net gain/(loss) recognised in equity	–	–	–	1,058,252	(60,120)	998,132	(10,721)	987,411
Profit for the year	–	–	–	–	2,070,754	2,070,754	112,486	2,183,240
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,058,252</b>	<b>2,010,634</b>	<b>3,068,886</b>	<b>101,765</b>	<b>3,170,651</b>
Transfers	–	(53,229)	(351,595)	–	404,824	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	(59,036)	(59,036)
Ordinary and preference dividends	–	–	–	–	(840,695)	(840,695)	–	(840,695)
Rights issue by a subsidiary and change in minority interests	–	–	–	–	–	–	31,862	31,862
Share-based staff costs capitalised	–	10,915	–	–	–	10,915	–	10,915
Share buyback – held in treasury	(43,491)	–	–	–	–	(43,491)	–	(43,491)
Shares issued to non-executive directors	502	–	–	–	–	502	–	502
Shares purchased by DSP Trust	–	(10,540)	–	–	–	(10,540)	–	(10,540)
Shares vested under DSP Scheme	–	5,554	–	–	–	5,554	–	5,554
Treasury shares transferred to employees	82,187	–	–	–	–	82,187	–	82,187
<b>Balance at 31 December 2007</b>	<b>5,520,141</b>	<b>55,962</b>	<b>1,676,216</b>	<b>1,725,964</b>	<b>6,699,307</b>	<b>15,677,590</b>	<b>1,161,222</b>	<b>16,838,812</b>
Included:								
Share of reserves of associates and joint ventures	–	2,934	–	125	28,600	31,659	(147)	31,512

An analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

## Statement of Changes in Equity – Group

For the financial year ended 31 December 2007

In \$'000	Attributable to equity holders of the Bank						Minority interest	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2006</b>	1,561,177	4,292,000	1,959,332	617,819	3,907,553	12,337,881	1,148,978	13,486,859
Movements in fair value reserves:								
Gains taken to equity	–	–	–	367,579	–	367,579	25,081	392,660
Transferred to								
income statements on sale	–	–	–	(312,990)	–	(312,990)	(9,699)	(322,689)
Tax on net movements	–	–	–	(4,696)	–	(4,696)	(3,823)	(8,519)
Currency translation	–	–	–	–	(20,526)	(20,526)	(1,350)	(21,876)
Net gain/(loss) recognised in equity	–	–	–	49,893	(20,526)	29,367	10,209	39,576
Profit for the year	–	–	–	–	2,002,192	2,002,192	103,880	2,106,072
<b>Total recognised gains for the financial year</b>	–	–	–	49,893	1,981,666	2,031,559	114,089	2,145,648
Transfers	–	(24,102)	68,479	–	(44,377)	–	–	–
Acquisition of additional interests in subsidiaries	40,635	–	–	–	–	40,635	(121,577)	(80,942)
Dividends paid to minority interests	–	–	–	–	–	–	(54,859)	(54,859)
Effect of Companies (Amendment) Act 2005	4,185,344	(4,185,344)	–	–	–	–	–	–
Ordinary and preference dividends	–	–	–	–	(677,032)	(677,032)	–	(677,032)
Share-based staff costs capitalised	–	10,643	–	–	–	10,643	–	10,643
Share buyback – cancelled	(2,577)	2,577	–	–	(43,266)	(43,266)	–	(43,266)
Share buyback – held in treasury	(392,374)	–	–	–	–	(392,374)	–	(392,374)
Shares issued to non-executive directors	324	–	–	–	–	324	–	324
Shares issued pursuant to the Bank's employee share schemes	52,345	9,967	–	–	–	62,312	–	62,312
Shares purchased by DSP Trust	–	(7,616)	–	–	–	(7,616)	–	(7,616)
Shares vested under DSP Scheme	–	5,137	–	–	–	5,137	–	5,137
Treasury shares transferred to employees	36,069	–	–	–	–	36,069	–	36,069
<b>Balance at 31 December 2006</b>	5,480,943	103,262	2,027,811	667,712	5,124,544	13,404,272	1,086,631	14,490,903
Included:								
Share of reserves of associates and joint ventures	–	1,404	–	–	51,740	53,144	(15)	53,129

An analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

## Statement of Changes in Equity – Bank

For the financial year ended 31 December 2007

In \$'000	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total equity
<b>Balance at 1 January 2007</b>	<b>5,480,943</b>	<b>83,162</b>	<b>1,698,130</b>	<b>405,102</b>	<b>2,561,840</b>	<b>10,229,177</b>
Movements in fair value reserves:						
Gains taken to equity	–	–	–	108,594	–	108,594
Transferred to income statements on sale	–	–	–	(99,394)	–	(99,394)
Tax on net movements	–	–	–	15,772	–	15,772
Currency translation	–	–	–	–	28,072	28,072
Net gain recognised in equity	–	–	–	24,972	28,072	53,044
Profit for the year	–	–	–	–	1,620,914	1,620,914
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,972</b>	<b>1,648,986</b>	<b>1,673,958</b>
Transfers	–	–	(339,626)	–	339,626	–
Ordinary and preference dividends	–	–	–	–	(840,695)	(840,695)
Share-based staff costs capitalised	–	10,915	–	–	–	10,915
Share buyback – held in treasury	(43,491)	–	–	–	–	(43,491)
Shares issued to non-executive directors	502	–	–	–	–	502
Treasury shares transferred to employees	82,187	–	–	–	–	82,187
<b>Balance at 31 December 2007</b>	<b>5,520,141</b>	<b>94,077</b>	<b>1,358,504</b>	<b>430,074</b>	<b>3,709,757</b>	<b>11,112,553</b>
<b>Balance at 1 January 2006</b>	<b>1,561,177</b>	<b>4,245,319</b>	<b>1,631,330</b>	<b>396,285</b>	<b>2,033,360</b>	<b>9,867,471</b>
Movements in fair value reserves:						
Gains taken to equity	–	–	–	223,360	–	223,360
Transferred to income statements on sale	–	–	–	(226,040)	–	(226,040)
Tax on net movements	–	–	–	11,497	–	11,497
Currency translation	–	–	–	–	(20,364)	(20,364)
Net gain/(loss) recognised in equity	–	–	–	8,817	(20,364)	(11,547)
Profit for the year	–	–	–	–	1,335,942	1,335,942
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,817</b>	<b>1,315,578</b>	<b>1,324,395</b>
Transfers	–	–	66,800	–	(66,800)	–
Acquisition of additional interests in a subsidiary	40,635	–	–	–	–	40,635
Effect of Companies (Amendment) Act 2005	4,185,344	(4,185,344)	–	–	–	–
Ordinary and preference dividends	–	–	–	–	(677,032)	(677,032)
Share-based staff costs capitalised	–	10,643	–	–	–	10,643
Share buyback – cancelled	(2,577)	2,577	–	–	(43,266)	(43,266)
Share buyback – held in treasury	(392,374)	–	–	–	–	(392,374)
Shares issued to non-executive directors	324	–	–	–	–	324
Shares issued pursuant to the Bank's employee share schemes	52,345	9,967	–	–	–	62,312
Treasury shares transferred to employees	36,069	–	–	–	–	36,069
<b>Balance at 31 December 2006</b>	<b>5,480,943</b>	<b>83,162</b>	<b>1,698,130</b>	<b>405,102</b>	<b>2,561,840</b>	<b>10,229,177</b>

An analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the financial year ended 31 December 2007

	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	2,539,344	2,475,890
Adjustments for non-cash items:		
Amortisation of intangible assets	46,391	43,732
Allowances and impairment for loans and other assets	36,164	2,426
Change in fair value of hedging transactions and trading securities	(3,383)	14,023
Depreciation of property, plant and equipment and investment property	104,095	103,593
Net gain on disposal of government, debt and equity securities	(202,151)	(323,673)
Net gain on disposal of property, plant and equipment and investment property	(97,187)	(278,573)
Share-based staff costs	10,018	9,695
Share of results of associates and joint ventures	(20,937)	(13,651)
Write-off of plant and equipment	9,521	14,284
Items relating to life assurance fund		
Excess of inflow over outflow before income tax	794,366	1,093,581
Surplus transferred from life assurance fund	(509,205)	(376,163)
Operating profit before change in operating assets and liabilities	2,707,036	2,765,164
Change in operating assets and liabilities:		
Deposits of non-bank customers	13,611,656	11,126,086
Deposits and balances of banks	2,856,830	1,561,820
Derivative payables and other liabilities	1,280,294	601,013
Trading portfolio liabilities	(249,802)	(34,101)
Government securities and treasury bills	(989,494)	(1,649,947)
Trading securities	(953,734)	(178,675)
Placements with and loans to banks	2,853,564	(5,611,154)
Loans and bills receivable	(11,896,898)	(4,191,401)
Derivative receivables and other assets	(952,151)	(696,407)
Net change in investment assets and liabilities of life assurance fund	(122,900)	(750,786)
Cash from operating activities	8,144,401	2,941,612
Income tax paid	(286,560)	(249,335)
<b>Net cash from operating activities</b>	<b>7,857,841</b>	<b>2,692,277</b>
<b>Cash flows from investing activities</b>		
Acquisition of additional interests in subsidiaries	–	(302,603)
Dividends from associates	35,950	8,432
Decrease/(increase) in associates and joint ventures	49,108	(117,772)
Purchases of debt and equity securities	(6,920,902)	(2,856,498)
Purchases of property, plant and equipment and investment property	(237,580)	(252,142)
Proceeds from disposal of an associate	–	67
Proceeds from disposal of debt and equity securities	2,686,071	3,179,777
Proceeds from disposal of property, plant and equipment and investment property	156,670	377,114
<b>Net cash (used in)/from investing activities</b>	<b>(4,230,683)</b>	<b>36,375</b>
<b>Cash flows from financing activities</b>		
Dividends paid to equity holders of the Bank	(840,695)	(677,032)
Dividends paid to minority interests	(59,036)	(54,859)
Decrease in debts issued	(113,618)	(77,910)
Proceeds from exercise of options and rights under the Bank's employee share schemes	82,187	98,381
Proceeds from minority interests on subscription of shares in a subsidiary	32,325	–
Share buyback	(43,491)	(435,640)
<b>Net cash used in financing activities</b>	<b>(942,328)</b>	<b>(1,147,060)</b>
<b>Net currency translation adjustments</b>	<b>(29,775)</b>	<b>(22,307)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,655,055</b>	<b>1,559,285</b>
Cash and cash equivalents at 1 January	5,741,343	4,182,058
<b>Cash and cash equivalents at 31 December</b>	<b>8,396,398</b>	<b>5,741,343</b>

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 21 February 2008.

### 1. GENERAL

Oversea-Chinese Banking Corporation Limited (“the Bank”) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Bank’s registered office is 65 Chulia Street #29-00, OCBC Centre, Singapore 049513.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group’s interests in associates and joint ventures. The Group is principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) as required by the Companies Act (“the Act”), including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 ‘Credit Files, Grading and Provisioning’ issued by the Monetary Authority of Singapore.

The financial statements are presented in Singapore Dollar, which is the Bank’s functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment when applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgment or complexity, are disclosed in Note 2.23.

The following FRS and Interpretations to FRS (“INT FRS”) were applied with effect from 1 January 2007:

FRS	Title
FRS 1 (issued in 2006)	Presentation of Financial Statements (Capital Disclosures)
FRS 40 (issued in 2005)	Investment Property
FRS 107 (issued in 2006)	Financial Instruments: Disclosures
INT FRS 108 (issued in 2006)	Scope of FRS 102 Share-based Payment
INT FRS 109 (issued in 2006)	Reassessment of Embedded Derivatives
INT FRS 110 (issued in 2006)	Interim Financial Reporting and Impairment

Under FRS 40, investment property may be measured using the fair value model or the cost model. The Group has adopted the cost model for its investment properties, except for investment properties held under life assurance funds which are measured using the fair value model. In accordance with the transitional provisions under FRS 40, the revaluation gains of \$147.7 million on the life assurance fund’s investment properties (net of deferred tax of \$6.2 million) has been taken to the life assurance fund liabilities as of 1 January 2007. The comparatives have not been restated, as permitted by FRS 40. Investment properties held under life assurance funds are included in life assurance fund investment assets, consistent with last year’s presentation. All other investment properties of the Group are now shown separately from property, plant and equipment and the relevant amounts of cost, accumulated depreciation and impairment, including prior year comparatives, have been reclassified accordingly.

The INT FRS 108 and INT FRS 109 are mainly clarifications on the application of FRS 102 *Share-based Payment* and FRS 39 *Financial Instruments: Recognition and Measurement* in respect of accounting for embedded derivatives and have no significant impact on the Group’s financial statements.

The INT FRS 110 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. This standard does not have any significant impact on the Group’s financial statements.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Basis of consolidation

##### 2.2.1 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Bank, directly or indirectly, has power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Bank controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the date of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Bank to the date that control ceases. In preparing the consolidated financial statements, intra-group transactions, balances and unrealised gains on transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Minority interests represent the portion of net results of operations and of net assets in subsidiaries that do not belong to equity holders of the Bank. They are disclosed separately in the Group income statement and balance sheet accordingly.

##### 2.2.2 Associates and joint ventures

Associates are entities over which the Bank has significant influence, but not control, generally accompanied by a shareholding of 20% to 50% of the voting rights. Joint ventures are entities whereby the Group and its joint venture partners have entered into a contractual arrangement to undertake an economic activity, which is jointly controlled and none of the parties involved unilaterally have control over the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, and include goodwill identified on acquisition, where applicable.

Equity accounting involves recording investments in associates and joint ventures initially at cost, adjusted thereafter for post-acquisition changes of the Group's share of the net assets of the associates and joint ventures until the date the significant influence or joint control ceases. When the Group's share of losses equals or exceeds its interest in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

##### 2.2.3 Life assurance companies

Certain subsidiaries of the Group engaged in life assurance business are structured into one or more long-term life assurance funds, and shareholders' fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the life assurance funds. The amount distributed to shareholders is reported as "Profit from life assurance" in the consolidated income statement.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Basis of consolidation (continued)

##### 2.2.4 Accounting for subsidiaries and associates by the Bank

Investments in subsidiaries and associates are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

#### 2.3 Currency translation

##### 2.3.1 Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing at the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate at the date when the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

##### 2.3.2 Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollar at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences arising from the translation of a foreign operation are recognised in the currency translation reserve. When a foreign operation is disposed, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

#### 2.4 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances and placements with central banks.

#### 2.5 Financial instruments

##### 2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention are recognised on the settlement date.

##### 2.5.2 De-recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

##### 2.5.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

##### 2.5.4 Sale and repurchase agreements (including securities lending and borrowing)

Repurchase agreements ("repos") are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Financial instruments (continued)

##### 2.5.4 Sale and repurchase agreements (including securities lending and borrowing) (continued)

Securities lending and borrowing transactions are generally secured, with collateral taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral advanced or received is recorded as an asset or a liability respectively.

#### 2.6 Non-derivative financial assets

Non-derivative financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is irrevocable.

##### 2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are initially recognised at acquisition cost and subsequently measured at amortised cost using the effective interest method, less impairment allowance.

##### 2.6.2 Available-for-sale financial assets

Available-for-sale financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

At balance sheet date, the Group recognises unrealised gains and losses on revaluing unsettled contracts in fair value reserve in equity. Upon settlement, available-for-sale assets are carried at fair value (including transaction costs) on the balance sheet, with cumulative fair value changes taken to fair value reserve in equity, and recognised in the income statement when the asset is disposed of, collected or otherwise sold, or when the asset is assessed to be impaired.

The fair value for quoted investments is derived from market bid prices. For unquoted securities, fair value is determined based on quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants.

##### 2.6.3 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are acquired by the trading business units of the Group for the purpose of selling them in the near term.

At balance sheet date, unrealised profits and losses on revaluing unsettled contracts are recognised in the income statement. Upon settlement, these assets are carried at fair value on the balance sheet, with subsequent fair value changes recognised in the income statement.

Fair value is derived from quoted market bid prices. All realised and unrealised gains and losses are included in net trading income in the income statement. Interest earned whilst holding trading assets is included in interest income.

##### 2.6.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss.

#### 2.7 Derivative financial instruments

All derivative financial instruments are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes, and the realised and unrealised gains and losses are recognised in the income statement. The Group also enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies either fair value or cash flow hedge accounting when the transactions meet the specified criteria for hedge accounting.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Derivative financial instruments (continued)

For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying value of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

“Hedge ineffectiveness” represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is taken to the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve remain in equity until the forecasted transaction is recognised in the income statement. When the forecasted transaction is no longer expected to occur, the amounts accumulated in the hedge reserve is immediately transferred to the income statement.

For hedges of net investments in foreign operations which are accounted in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations.

#### 2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	–	5 to 10 years
Office equipment	–	5 to 10 years
Computers	–	3 to 10 years
Renovation	–	3 to 5 years
Motor vehicles	–	5 years

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

#### 2.9 Investment property

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group’s life assurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Investment property (continued)

Investment property held under the Group's life assurance fund is stated at fair value at balance sheet date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

#### 2.10 Goodwill and intangible assets

##### 2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of the acquiree. Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

##### 2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The useful life of an intangible asset is reviewed at least at each financial year end.

#### 2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

#### 2.12 Impairment of assets Financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### 2.12.1 Loans and receivables/financial assets carried at amortised cost

Loans are assessed for impairment on a loan-by-loan basis except for homogeneous loans below a certain materiality threshold, which are grouped together according to their risk characteristics and collectively assessed, taking into account the historical loss experience on such loans.

A specific allowance is established when the present value of recoverable cash flows for a loan is lower than the carrying value of the loan. Portfolio allowances are set aside for unimpaired loans based on portfolio and country risks, as well as industry practices.

Specific allowances are written back to the income statement when the loans are no longer impaired or when the loss on loan is determined to be less than the amount of specific allowance previously made. Loans are written-off when recovery action has been instituted and the loss can be reasonably determined.

##### 2.12.2 Other non-derivative financial assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying value and the estimated recoverable amount. For equity investments classified as available-for-sale, when there is a significant or prolonged decline in the fair value of the asset below its cost, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt investments, reversal of impairment loss is recognised in the income statement.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.12 Impairment of assets (continued)

##### Other assets

##### 2.12.3 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units ("CGU") expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

An impairment loss is recognised in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of CGU is the higher of the CGU's fair value less cost to sell and its value in use. Impairment loss on goodwill cannot be reversed in subsequent periods.

#### 2.12.4 Investments in subsidiaries and associates

##### Property, plant and equipment

##### Investment property

##### Intangible assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on balance sheet date or whenever there is any indication that the carrying value of an asset may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use).

The impairment loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

#### 2.13 Outstanding premiums

Outstanding premiums are carried at cost, which approximate fair value.

Premiums of life assurance business which remain outstanding beyond the contractual date would automatically trigger premium loans which are taken against the cash value standing to the credit of the policy. Where the cash value is insufficient to activate a premium loan, the policy lapses and the insurance contract between the life assurance subsidiary and the policyholder is deemed cancelled without further liabilities accruing from either party.

Premiums from general insurance business which are outstanding for 90 days would result in termination of insurance cover and the entire amount would be written off to the income statement in the year in which the 90-day credit period expires.

#### 2.14 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through the income statement. Financial liabilities are designated at fair value through the income statement when:

- (a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
- (b) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
- (c) the financial liability contains an embedded derivative that would need to be separately recorded.

#### 2.15 Provisions and other liabilities

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 Provisions and other liabilities (continued)

Provision for insurance agents' retirement benefits is a defined contribution plan and is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreements.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries after the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries.

#### 2.16 Insurance contracts

Certain subsidiaries within the Group issue insurance contracts in accordance with the Insurance Regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

- (a) Life Assurance Fund contract liabilities, comprising
  - Participating Fund contract liabilities;
  - Non-participating Fund contract liabilities; and
  - Investment-linked Fund contract liabilities.
- (b) General Insurance Fund contract liabilities
- (c) Reinsurance contracts

The Group is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the insurance income statement. The Group does not adopt a policy of deferring acquisition cost for its insurance contracts.

##### Life Assurance Fund contract liabilities

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment-linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group would include fees to cover for expenses and insured risk. The investment returns derived from the variety of investment funds as elected by the policyholder accrue directly to the policyholder.

A significant portion of insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. These contracts are classified as participating policies. In addition to benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, commonly referred to as policyholder bonus, which is derived from the investment performance of the pool of assets and operating experiences of all the participating policies managed by each insurance subsidiary within the Group.

In addition to guaranteed benefits, set out in the participating policy contract which includes a representation by the insurance subsidiary within the Group, to the effect that the amount and timing of payment or vesting of payables are at the sole discretion of the insurance subsidiary within the Group and are based on the performance of the pool of assets, including but not limited to the investment performance, the long term sustainability of the policyholder bonus scale, policyholders' expectations, and surplus or capital strength of the participating fund. Fund surplus, not distributed to shareholders or policyholders, of the participating life fund is classified as liability.

The Group does not recognise the guaranteed component separately from the discretionary participation feature; hence the Group classifies the whole contract as a liability in the financial statements.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 Insurance contracts (continued)

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for deposit component. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are insurance contracts at balance sheet date.

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance funds.

The valuation of insurance contract liabilities is determined according to:

- Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore; and
- Malaysia Insurance Act and Regulations 1996 for insurance funds regulated in Malaysia.

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

Valuation method	SINGAPORE Gross Premium	MALAYSIA Net Premium
<b>Interest Rate</b>	Singapore Government Bond yields for cash flows prior to 10 years, the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows after 15 years, and an interpolation of the 10-year Singapore Government Bond yield and the LTRFDR for cash flows between 10 to 15 years.  Data source: SGS website	Rates equal to or more conservative than the minimum rate prescribed by the Insurance Act and Regulations.  Participating Fund: Either 3.5% or 4.0% for regular premium within respective product groups and 4.5% for single premium products.  Non-Participating Fund: 4.0% for regular premium and 4.5% for single premium products.
<b>Mortality</b>	Best estimates plus provision for adverse deviation.  Data source: Internal experience studies	Prescribed table per regulation Table: 100% Statutory Mortality Valuation Table ("SMVT") 1996  Adjustment for females: 3 years setback
<b>Disability</b>	Best estimates plus provision for adverse deviation.  Data source: Internal experience studies	Included in death rates
<b>Dread disease</b>	Best estimates plus provision for adverse deviation.  Data source: Internal experience studies	Table: 150% Cologne Re male smoker mortality rates
<b>Expenses</b>	Best estimates plus provision for adverse deviation.  Data source: Internal experience studies	Not applicable
<b>Lapse &amp; surrenders</b>	Best estimates plus provision for adverse deviation.  Data source: Internal experience studies	Not applicable

\* Refer to Note 2.23 on Critical accounting estimates and judgments

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 Insurance contracts (continued)

Each insurance subsidiary within the Group is required under the respective Insurance Regulations to carry out a liability adequacy test using current estimates of future cash flows under its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed and the discretionary participation feature; the assumptions are based on best estimates, as prescribed by the Insurance Regulations of the respective jurisdictions in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability. Any deficiency is charged to the income statement.

The Group issues investment-linked contracts as insurance contracts which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment-linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of insurance contract, it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies stated under the terms and conditions of the insurance contract.

#### General Insurance Fund contract liabilities

The Group issues short term property and casualty contracts which protect the policyholders against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contract and/or business interruption contract; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

Claims on general insurance contracts are payable on a claim-occurrence basis. The Group is liable for insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. Hence, liability claims could be settled over a long period of time. The Group uses a combination of estimates derived from loss-ratio estimate and actual claims experience, to estimate the loss reserves and incurred but not reported ("IBNR") claim reserves. The valuation of general insurance contract liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For Singapore, as required by the local Insurance Regulations, the provision for adverse deviation is set at 75 per cent level of sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Bornhuetter-Ferguson Method, the Mack's Method and the Expected Loss Ratio Method. For Malaysia, the Link Ratio Method is used. The provision for IBNR claims is classified as liabilities and included in other liabilities.

#### Reinsurance contracts

Contracts entered into by insurance subsidiaries of the Group with reinsurers in which they are compensated for losses on one or more contracts issued are classified as insurance contracts. Assets consisting of short term balances due from reinsurers are classified as other debtors. Long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts are classified as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts. These amounts are assessed for impairment at reporting date. The Group gathers objective evidence to ascertain that insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated on the same basis used for loans and receivables. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

#### 2.17 Unexpired risk reserve

The Unexpired Risk Reserve ("URR") represents the portion of the written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after balance sheet date, in the form of unearned premium. The change in the provision for unearned premium is taken to the income statement in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Unexpired risk reserve (continued)

URR is computed using the 1/24th method reduced by the corresponding percentage of accounted gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

#### 2.18 Share capital and dividend

Ordinary shares, non-voting non-convertible and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity on the balance sheet.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Treasury shares which are subsequently reissued, sold or cancelled, is recognised as a change in equity.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the year in which they are declared payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by shareholders at the annual general meeting.

#### 2.19 Recognition of income and expense

##### 2.19.1 Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount. When calculating the effective interest rate, significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts, are considered.

For impaired financial assets, interest income is recognised on the carrying amount based on the original effective interest rate of the financial asset.

##### 2.19.2 Profit from life assurance

Profit from life assurance business is derived from insurance funds categorised as follows:

###### (a) Participating Fund

Profits from the participating fund are allocated to policyholders and shareholders from the surplus or surplus capital, based on the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund). Parameters for the valuation are set out in the Insurance Regulations governing the Group's insurance subsidiaries in the respective jurisdictions in which they operate. The provisions in the Articles of Association of the Group's insurance subsidiaries are applied in conjunction with the prescriptions in the respective Insurance Regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholders' bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary.

###### (b) Non-participating Fund

Revenue consists of premiums, investment and interest income; including fair value movements of certain assets as prescribed by the appropriate Insurance Regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of the non-participating fund and the results of the annual actuarial valuation of the liabilities in accordance with the requirements of the respective Insurance Regulations.

###### (c) Investment-linked Fund

Revenue comprises bid-ask spread, fees for mortality and other insured event, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities to the non-unit linked part of the fund, in accordance with the requirements of the Insurance Regulations.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 Recognition of income and expense (continued)

##### 2.19.2 Profit from life assurance (continued)

Premiums from policyholders are recognised on their respective due dates. Premiums not received on due dates are recognised as revenue in the income statement with the corresponding outstanding premiums reported in the balance sheet. The commission expenses arising from these outstanding premiums are accrued in the same reporting period.

Premiums received before due date are recorded as advance premiums and included under life assurance fund liabilities on the balance sheet. The commissions arising from advance premiums, if any, are not accrued until the premiums are due and recognised as revenue in the income statement.

##### 2.19.3 Premium income from general insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after reporting date are adjusted through the unexpired risk reserve (Note 2.17). The commission expense is accrued in full upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from the general insurance contracts, are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premium ceded out pertaining to periods after reporting date are adjusted through the unexpired risk reserve.

##### 2.19.4 Fees and commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are netted off against gross fees and commissions in the income statement.

##### 2.19.5 Dividends

Dividends from available-for-sale securities, subsidiaries and associates are recognised when the right to receive payment is established. Dividends from trading securities are recognised when received.

##### 2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the tenancy agreements.

##### 2.19.7 Employee benefits

The Group's compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, commissions, cash bonuses, equity compensation schemes and plans. These are recognised in the income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on balance sheet date.

Equity compensation schemes and plan include the Bank's Share Option Schemes, the Employee Share Purchase Plan ("ESP Plan") and the Deferred Share Plan ("DSP"). Equity instruments granted are recognised as expense in the income statement based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to equity.

At each balance sheet date, the Group revises its estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The Group accrues for interest on the monthly contributions made by employees to the savings-based ESP Plan. For the DSP, a trust is set up to administer the shares. The DSP Trust is consolidated in the Group's financial statements.

Proceeds received upon the exercise of options and acquisition rights, net of any directly attributable transaction costs, are credited to share capital.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 Recognition of income and expense (continued)

##### 2.19.8 Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The expense is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 2.20 Income tax expense

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associated and joint ventures companies to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation against the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 2.21 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

#### 2.22 Segment reporting

The Group's business segments represent the key customer and product groups, as follows: Consumer Banking, Business Banking, Treasury, Insurance and Others. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

#### 2.23 Critical accounting estimates and judgments

Certain estimates are made in the preparation of the financial statements. These often require management judgment in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

##### 2.23.1 Liabilities of insurance business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.23 Critical accounting estimates and judgments (continued)

##### 2.23.1 Liabilities of insurance business (continued)

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Group bases the estimate of expected number of deaths on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity and disability, estimates are made based on recent past experience and emerging trends, but epidemic, as well as wide ranging changes to life style, could result in significant changes to the expected future exposure. All of these result in even more uncertainty in estimating the ultimate liabilities.

At each reporting date, these estimates are re-assessed for adequacy and changes will be reflected as adjustments to the liabilities. In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

##### 2.23.2 Impairment of goodwill and intangible assets

The Group performs an annual review of the carrying value of its goodwill and intangible assets, against the recoverable amounts of the CGU to which the goodwill and intangible assets have been allocated. Recoverable amounts of CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. Management exercises its judgment in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

##### 2.23.3 Fair value estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised when the transaction matures or is closed out.

##### 2.23.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses in estimating the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

##### 2.23.5 Impairment of loans

The Group assesses impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collaterals, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans. The portfolio allowances set aside for unimpaired loans are determined based on historical default rates which take into account risk factors including internal risk ratings, geographic, industry and economic conditions at reporting date. The assumptions and judgments used by management may affect these allowances.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.23 Critical accounting estimates and judgments (continued)

##### 2.23.6 Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining when an investment is impaired. This determination requires significant judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

##### 2.23.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgment about the level of insurance risk transferred. Typically, these contracts contain a significant savings component. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amount payable upon when the insured event occurred. These additional amounts include claims liability and assessment costs, but exclude the loss of ability to charge the holder of the contract for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date, which the Group does not consider them to contain significant insurance risk

### 3. NET INTEREST INCOME

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Interest income</b>				
Loans to non-bank customers	3,534,958	3,109,263	2,491,126	2,210,070
Placements with and loans to banks	862,837	744,312	713,480	637,947
Other interest-earning assets	867,517	662,738	609,576	434,618
	<b>5,265,312</b>	4,516,313	<b>3,814,182</b>	3,282,635
<b>Interest expense</b>				
Deposits of non-bank customers	(2,174,716)	(1,966,178)	(1,568,490)	(1,412,977)
Deposits and balances of banks	(569,071)	(473,263)	(510,969)	(437,629)
Other borrowings	(277,316)	(282,814)	(273,742)	(282,277)
	<b>(3,021,103)</b>	(2,722,255)	<b>(2,353,201)</b>	(2,132,883)
<b>Analysed by classification of financial instruments:</b>				
Income – Assets not at fair value through profit or loss	5,132,777	4,417,506	3,716,980	3,199,049
Income – Assets at fair value through profit or loss	132,535	98,807	97,202	83,586
Expense – Liabilities not at fair value through profit or loss	(3,009,333)	(2,706,886)	(2,341,431)	(2,117,514)
Expense – Liabilities at fair value through profit or loss	(11,770)	(15,369)	(11,770)	(15,369)
Net interest income	<b>2,244,209</b>	1,794,058	<b>1,460,981</b>	1,149,752

Included in interest income were interest on impaired assets of \$37.4 million (2006: \$45.6 million) and \$21.0 million (2006: \$28.5 million) for the Group and Bank respectively.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 4. PROFIT FROM LIFE ASSURANCE

	Note	GROUP 2007 \$ million	2006 \$ million
<b>Income</b>			
Annual		3,494.2	3,289.4
Single		2,378.5	2,009.3
Gross premiums		5,872.7	5,298.7
Reassurances		(79.6)	(73.2)
Premium income (net)		5,793.1	5,225.5
Investment income		3,075.5	2,272.0
<b>Total inflow</b>		<b>8,868.6</b>	7,497.5
<b>Expenses</b>			
Gross claims, surrenders and annuities		(4,874.9)	(4,969.5)
Claims, surrenders and annuities recovered from reinsurers		31.5	29.6
Net claims, surrenders and annuities		(4,843.4)	(4,939.9)
Change in life assurance fund contract liabilities	23	(2,543.5)	(805.5)
Commission and agency expenses		(491.0)	(430.4)
Depreciation – property, plant and equipment	36	(43.1)	(34.4)
Depreciation – investment property		–	(5.9)
Other expenses <sup>(1)</sup>		(218.6)	(195.9)
<b>Total outflow</b>		<b>(8,139.6)</b>	(6,412.0)
<b>Excess of inflow over outflow from operations</b>		<b>729.0</b>	1,085.5
Share of results of associates and joint ventures		65.3	8.1
Income tax expense		(285.1)	(717.4)
<b>Profit from life assurance</b>		<b>509.2</b>	376.2

<sup>(1)</sup> Included in other expenses are directors' emoluments of \$3.9 million (2006: \$3.1 million).

Profit from life assurance is presented net of tax in the income statement to reflect the substance that the tax liability is borne by the respective life funds.

### 5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fee and commission income	891,546	648,809	434,917	335,776
Fee and commission expense	(83,510)	(51,457)	(7,304)	(7,691)
<b>Fees and commissions (net)</b>	<b>808,036</b>	597,352	<b>427,613</b>	328,085
<b>Analysed by major sources:</b>				
Brokerage	136,391	72,215	1,763	1,091
Credit card	56,406	48,182	42,083	35,871
Fund management	85,894	71,771	(263)	(531)
Guarantees	22,536	23,633	18,295	21,106
Investment banking	41,372	30,890	38,308	26,684
Loan-related	123,902	80,779	87,239	50,810
Service charges	44,017	32,966	32,191	23,849
Trade-related and remittances	115,064	92,332	73,698	60,421
Wealth management	163,281	128,604	132,732	106,522
Others	19,173	15,980	1,567	2,262
	<b>808,036</b>	597,352	<b>427,613</b>	328,085



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 6. DIVIDENDS

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Subsidiaries	–	–	563,110	378,132
Associates	–	–	31,686	8,578
Trading securities	6,536	835	6,386	794
Available-for-sale securities	48,869	128,076	17,120	40,232
	<b>55,405</b>	<b>128,911</b>	<b>618,302</b>	<b>427,736</b>

### 7. OTHER INCOME

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Foreign exchange <sup>(1)</sup>	186,003	143,689	151,026	114,746
Hedging activities <sup>(2)</sup>				
Hedging instruments	(96,384)	(237,076)	(93,453)	(237,075)
Hedged items	89,415	218,450	86,485	218,450
Fair value hedges	(6,969)	(18,626)	(6,968)	(18,625)
Ineffective portion of investment hedge in foreign operations	–	–	–	–
Interest rate and other derivatives <sup>(3)</sup>	(63,028)	(661)	(83,416)	(4,416)
Trading securities	57,652	20,034	50,623	13,186
Net trading income	173,658	144,436	111,265	104,891
Disposal of securities classified as available-for-sale	202,151	322,689	99,394	226,040
Disposal of securities classified as loans	–	984	–	887
Disposal/liquidation of subsidiaries	–	(6,136)	4,680	38,098
Disposal of plant and equipment	(220)	2,150	(216)	1,582
Disposal of property	97,407	276,423	1,928	1,486
Computer-related services income	36,903	34,181	–	–
Property-related income	8,059	11,231	464	368
Others	18,682	19,766	20,831	13,880
	<b>536,640</b>	<b>805,724</b>	<b>238,346</b>	<b>387,232</b>

<sup>(1)</sup> "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.

<sup>(2)</sup> "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".

<sup>(3)</sup> "Interest rate and other derivatives" include mainly gains and losses from interest rate, equity options and other derivative instruments.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>8.1 Staff costs</b>				
Salaries and other costs	<b>846,136</b>	642,092	<b>412,628</b>	306,287
Share-based expenses	<b>9,516</b>	9,371	<b>7,044</b>	6,351
Contribution to defined contribution plans	<b>68,040</b>	53,461	<b>29,889</b>	22,964
	<b>923,692</b>	704,924	<b>449,561</b>	335,602
Directors' emoluments: <sup>(1)</sup>				
Remuneration of Bank's directors	<b>7,560</b>	6,169	<b>5,923</b>	5,353
Remuneration of directors of subsidiaries	<b>8,717</b>	6,698	–	–
Fees of Bank's directors <sup>(2)</sup>	<b>3,395</b>	2,204	<b>2,199</b>	1,343
Fees of directors of subsidiaries	<b>2,646</b>	1,618	–	–
	<b>22,318</b>	16,689	<b>8,122</b>	6,696
Total staff costs	<b>946,010</b>	721,613	<b>457,683</b>	342,298
<b>8.2 Other operating expenses</b>				
Property, plant and equipment: <sup>(3)</sup>				
Depreciation <sup>(4)</sup>	<b>104,095</b>	103,593	<b>51,145</b>	54,821
Maintenance and hire	<b>65,532</b>	61,450	<b>25,796</b>	25,166
Rental expenses	<b>30,433</b>	24,292	<b>35,456</b>	31,110
Write-off of plant and equipment	<b>9,521</b>	14,284	<b>8,839</b>	14,284
Others	<b>91,535</b>	73,752	<b>52,929</b>	42,157
	<b>301,116</b>	277,371	<b>174,165</b>	167,538
Auditors' remuneration				
Payable to auditors of the Bank	<b>1,120</b>	1,035	<b>823</b>	738
Payable to associated firms of auditors of the Bank	<b>565</b>	565	<b>398</b>	398
Payable to other auditors	<b>1,435</b>	1,431	<b>39</b>	136
	<b>3,120</b>	3,031	<b>1,260</b>	1,272
Other fees				
Payable to auditors of the Bank	<b>407</b>	157	<b>407</b>	94
Payable to associated firms of auditors of the Bank	<b>787</b>	130	<b>30</b>	93
	<b>1,194</b>	287	<b>437</b>	187
Hub processing charges	–	–	<b>130,170</b>	121,326
General insurance claims	<b>37,663</b>	32,919	–	–
Others <sup>(5)</sup>	<b>390,551</b>	295,923	<b>229,914</b>	169,575
Total other operating expenses	<b>733,644</b>	609,531	<b>535,946</b>	459,898
<b>8.3 Staff costs and other operating expenses</b>	<b>1,679,654</b>	1,331,144	<b>993,629</b>	802,196

Notes:

<sup>(1)</sup> Directors' emoluments pertaining to life assurance fund are disclosed in Note 4 – Profit from life assurance.

<sup>(2)</sup> Included share-based payment \$0.5 million (2006: \$0.3 million) made to non-executive directors.

<sup>(3)</sup> Direct operating expenses on leased investment property for the Group and the Bank amounted to \$14.4 million (2006: \$16.3 million) and \$3.9 million (2006: \$3.4 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to \$0.6 million (2006: \$0.4 million) and \$0.2 million (2006: \$0.2 million) respectively.

<sup>(4)</sup> Included depreciation for investment property of \$12.2 million (2006: \$14.7 million) and \$7.2 million (2006: \$7.6 million) for the Group and Bank respectively.

<sup>(5)</sup> Others included professional fees paid to a firm which is related to a director, the amount paid was less than \$0.2 million for 2007 and 2006 respectively.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 9. ALLOWANCES AND IMPAIRMENT/(WRITE-BACK) FOR LOANS AND OTHER ASSETS

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(Write-back)/allowances for loans	29	<b>(107,763)</b>	21,214	<b>(78,191)</b>	(16,587)
Impairment charge for available-for-sale securities		<b>3,632</b>	2,529	<b>47</b>	1,389
Allowances for CDOs		<b>230,888</b>	–	<b>226,249</b>	–
Write-back of impairment charge for other assets	33	<b>(90,593)</b>	(21,317)	<b>(147,777)</b>	(11,728)
Net allowances and impairment/(write-back)		<b>36,164</b>	2,426	<b>328</b>	(26,926)

Following the sub-prime market shakeout and the current conditions of the Collateralised Debt Obligation (“CDO”) market, allowances were made on the Bank’s CDO portfolio. The amount of allowance was derived from a third party valuation model, inputs to which were based on observable housing market data.

### 10. INCOME TAX EXPENSE

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current tax expense		<b>458,248</b>	377,133	<b>261,021</b>	219,637
Deferred tax expense/(credit)	21	<b>14,899</b>	1,979	<b>8,438</b>	(4,651)
		<b>473,147</b>	379,112	<b>269,459</b>	214,986
Over provision in prior years/tax refunds		<b>(117,043)</b>	(9,294)	<b>(115,806)</b>	(11,724)
Charge to income statements		<b>356,104</b>	369,818	<b>153,653</b>	203,262

The tax on operating profit differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating profit after allowances and amortisation	<b>2,518,407</b>	2,462,239	<b>1,774,567</b>	1,539,204
Prima facie tax calculated at tax rate of 18% (2006: 20%)	<b>453,313</b>	492,448	<b>319,422</b>	307,841
Effect of change in tax rates	<b>(3,194)</b>	–	<b>(4,262)</b>	–
Effects of different tax rates in other countries	<b>84,559</b>	49,535	<b>14,021</b>	6,676
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	<b>725</b>	406	<b>725</b>	391
Income not assessable for tax	<b>(14,466)</b>	(82,662)	<b>(39,791)</b>	(54,283)
Income taxed at concessionary rate	<b>(21,627)</b>	(41,532)	<b>(25,730)</b>	(41,532)
Tax on Singapore life assurance profit	<b>(38,397)</b>	(37,813)	–	–
Amortisation of intangibles	<b>8,350</b>	8,746	–	–
Non-taxable write-back	<b>(8,816)</b>	(14,719)	<b>(1,730)</b>	(710)
Others	<b>12,700</b>	4,703	<b>6,804</b>	(3,397)
	<b>473,147</b>	379,112	<b>269,459</b>	214,986

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 11. EARNINGS PER SHARE

	GROUP	
	2007	2006
<b>\$'000</b>		
Profit attributable to ordinary equity holders of the Bank	<b>2,070,754</b>	2,002,192
Preference dividends paid	<b>(39,125)</b>	(39,125)
Profit attributable to ordinary equity holders of the Bank after preference dividends	<b>2,031,629</b>	1,963,067
<b>Weighted average number of ordinary shares ('000)</b>		
For basic earnings per share	<b>3,081,324</b>	3,096,408
Adjustment for assumed conversion of share options and acquisition rights	<b>16,794</b>	12,160
For diluted earnings per share	<b>3,098,118</b>	3,108,568
<b>Earnings per share (cents)</b>		
Basic	<b>66</b>	63
Diluted	<b>66</b>	63

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank after preference dividends by the weighted average number of ordinary shares in issue during the financial year.

For calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted to take into account the dilutive effect arising from the exercise of outstanding share options and acquisition rights where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of ordinary shares to be issued at the acquisition prices and the number of ordinary shares that would have been issued at the fair value based on the assumed proceeds from the issue of these ordinary shares is treated as ordinary shares issued for no consideration, and added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

### 12. UNAPPROPRIATED PROFIT

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit attributable to equity holders of the Bank		<b>2,070,754</b>	2,002,192	<b>1,620,914</b>	1,335,942
Add: Unappropriated profit at 1 January		<b>4,120,811</b>	2,814,386	<b>1,680,138</b>	1,131,294
Total amount available for appropriation		<b>6,191,565</b>	4,816,578	<b>3,301,052</b>	2,467,236
Appropriated as follows:					
Ordinary dividends:					
2005 final dividend of 12 cents less tax at 20%		–	(298,172)	–	(298,172)
2006 interim tax exempt dividend of 11 cents		–	(339,735)	–	(339,735)
2006 final tax exempt dividend of 12 cents		<b>(369,746)</b>	–	<b>(369,746)</b>	–
2007 interim net dividend of 14 cents less Malaysia tax		<b>(431,824)</b>	–	<b>(431,824)</b>	–
Preference dividends:					
Class E 4.5% tax exempt (2006: net of Singapore tax)		<b>(22,500)</b>	(22,500)	<b>(22,500)</b>	(22,500)
Class G 4.2% net of Malaysia tax (2006: net of Singapore tax)		<b>(16,625)</b>	(16,625)	<b>(16,625)</b>	(16,625)
Share buyback	13.1(a)	–	(43,266)	–	(43,266)
Transfer from/(to):					
Capital reserves	14	<b>53,229</b>	24,102	–	–
Statutory reserves	15	<b>351,595</b>	(68,479)	<b>339,626</b>	(66,800)
General reserves	16.1	–	68,908	–	–
		<b>(435,871)</b>	(695,767)	<b>(501,069)</b>	(787,098)
At 31 December	16	<b>5,755,694</b>	4,120,811	<b>2,799,983</b>	1,680,138

At the annual general meeting to be held, a final tax-exempt dividend of 14 cents per ordinary share in respect of the financial year ended 31 December 2007, totalling \$432.1 million, will be proposed. The dividends will be accounted for as a distribution in the 2008 financial statements.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 13. SHARE CAPITAL

#### 13.1 Issued share capital

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

The Class E non-cumulative and non-convertible preference shares were issued on 29 January 2003 with a liquidation preference of \$100 per share and have a fixed dividend rate of 4.5% per annum (net of tax) payable semi-annually in arrears on 20 June and 20 December, subject to directors' approval. The preference shares may be redeemed at the option of the Bank five years after issue, ten years after issue and on each dividend payment date thereafter.

The Class G non-cumulative and non-convertible preference shares were issued on 14 July 2003 and 6 August 2003 with a liquidation preference of \$1 per share and have a fixed dividend rate of 4.2% per annum (net of tax), payable semi-annually in arrears on 20 June and 20 December, subject to directors' approval. The preference shares may be redeemed at the option of the Bank five and half years after issue, ten years after issue and on each dividend payment date thereafter.

Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if the dividends have not been paid in full when due for a consecutive period of 12 months or more.

GROUP AND BANK	Note	2007 Shares ('000)	2006 Shares ('000)	2007 \$'000	2006 \$'000
<b>Ordinary shares</b>					
At 1 January		<b>3,126,460</b>	3,114,338	<b>4,941,417</b>	1,557,169
Share buyback – cancelled	13.1(a)	–	(7,008)	–	(2,577)
Share Option Schemes	13.1(b)	–	11,334	–	44,491
Share Purchase Plan	13.1(c)	–	1,728	–	7,854
Shares issued to non-executive directors	13.1(d)	<b>53</b>	48	<b>502</b>	324
Acquisition of additional interests in a subsidiary	13.1(e)	–	6,020	–	40,635
Transfer from share premium	14(a)	–	–	–	3,227,243
Transfer from capital redemption reserve	14(b)	–	–	–	66,278
At 31 December		<b>3,126,513</b>	3,126,460	<b>4,941,919</b>	4,941,417
<b>Treasury shares</b>					
At 1 January		<b>(51,669)</b>	–	<b>(356,305)</b>	–
Share buyback – held in treasury	13.1(f)	<b>(4,986)</b>	(59,265)	<b>(43,491)</b>	(392,374)
Share Options Schemes					
All share and cash election	13.1(b)	<b>14,451</b>	5,338	<b>97,233</b>	35,164
Partial share election	13.1(b)	<b>500</b>	–	<b>3,383</b>	–
Share Purchase Plan	13.1(c)	<b>1,412</b>	2,258	<b>9,641</b>	14,899
Loss on transfer of shares to employees		–	–	<b>(28,070)</b>	(13,994)
At 31 December		<b>(40,292)</b>	(51,669)	<b>(317,609)</b>	(356,305)
<b>Class E preference shares</b>					
At 1 January		<b>5,000</b>	5,000	<b>500,000</b>	50
Transfer from share premium	14(a)	–	–	–	499,950
At 31 December		<b>5,000</b>	5,000	<b>500,000</b>	500,000
<b>Class G preference shares</b>					
At 1 January		<b>395,831</b>	395,831	<b>395,831</b>	3,958
Transfer from share premium	14(a)	–	–	–	391,873
At 31 December		<b>395,831</b>	395,831	<b>395,831</b>	395,831
<b>Issued capital, at 31 December</b>				<b>5,520,141</b>	5,480,943

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 13. SHARE CAPITAL (CONTINUED)

#### 13.1 Issued share capital (continued)

At 31 December 2007, associate companies of the Group held 420 (2006: 420) ordinary shares and 2,500 (2006: 2,500) Class E preference shares in the capital of the Bank.

- (a) In 2006, the Bank purchased 6,407,103 ordinary shares by way of market acquisitions at an average price of \$6.75 per share, which amounted to total cash distribution of \$43.3 million (Note 12) and cancelled 7,007,747 re-purchased ordinary shares.
- (b) During the financial year, the Bank transferred 14,951,426 ordinary shares held in treasury to employees upon their exercise of 15,368,896 options. In 2006, the Bank issued 11,333,946 ordinary shares and transferred 5,337,628 ordinary shares held in treasury to employees upon their exercise of options.
- (c) During the financial year, the Bank transferred 1,411,607 ordinary shares held in treasury to employees upon their exercise of acquisition rights under the Bank's Share Purchase Plan. In 2006, the Bank issued 1,728,000 ordinary shares to employees upon their exercise of acquisition rights and transferred 2,258,382 ordinary shares held in treasury to employees from the conversion of rights under the Share Purchase Plan upon its expiry on 30 June 2006.
- (d) At an Extraordinary General Meeting held during the financial year, shareholders of the Bank approved the issue of 52,800 (2006: 48,000) ordinary shares as payment in part of the non-executive directors' fees. The fair value of the shares at date of issue was \$0.5 million (2006: \$0.3 million).
- (e) In 2006, the Bank purchased 2,570,000 ordinary shares or 0.54% shareholdings in Great Eastern Holdings Limited from certain individuals under a conditional share purchase agreement. The consideration was settled by the issue of 6,019,968 new ordinary shares in the Bank at fair value of \$40.6 million.
- (f) During the financial year, the Bank purchased 4,985,870 (2006: 59,264,806) ordinary shares out of its capital, by way of market acquisition at an average price of \$8.72 (2006: \$6.62) per share, which amounted to total cash consideration of \$43.5 million (2006: \$392.4 million).
- (g) Under the Singapore Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital were abolished and the amount previously in the share premium and capital redemption reserve accounts as at 30 January 2006 became part of the Bank's share capital.

#### 13.2 Share option schemes

During the year, certain alterations were made to the Bank's Share Option Schemes. These alterations enable option holders to select one of the following alternatives when exercising their options:

- (a) All share election – an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of the options exercised;
- (b) Partial share election – an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
- (c) Cash election – an election to receive in cash the profit derived from the sale by the Bank on behalf of the employee of all ordinary shares in respect of the options exercised.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 13. SHARE CAPITAL (CONTINUED)

#### 13.2 Share option schemes (continued)

A summary of the movements in the number of options and the average acquisition prices is as follows:

	Note	2007		2006	
		Number of options	Average price	Number of options	Average price
At 1 January		<b>53,868,989</b>	<b>\$5.231</b>	66,100,780	\$4.968
Granted		<b>5,510,350</b>	<b>\$8.510</b>	5,846,476	\$6.762
Exercised – Issue of new shares	13.1(b)	–	–	(11,333,946)	\$4.736
Exercised – Treasury shares					
All share and cash election	13.1(b)	<b>(14,451,345)</b>	<b>\$5.054</b>	(5,337,628)	\$4.621
Partial share election	13.1(b)	<b>(917,551)</b>	<b>\$4.206</b>	–	–
Forfeited/lapsed		<b>(598,219)</b>	<b>\$6.670</b>	(1,406,693)	\$5.540
At 31 December		<b>43,412,224</b>	<b>\$5.708</b>	53,868,989	\$5.231
Exercisable options at 31 December		<b>31,550,155</b>	<b>\$5.107</b>	39,126,902	\$4.931
Average share price underlying the options exercised during the financial year			<b>\$8.904</b>		\$6.840

Details of the options outstanding as at 31 December 2007 are as follows:

Grant Year	Grant date	Exercise period	Acquisition price (\$)	2007	
				Outstanding	Exercisable
1998R	25.05.1999	22.01.2001 – 21.01.2008	2.675	296,328	296,328
1999R	25.05.1999	10.12.2001 – 09.12.2008	3.139	1,456,142	1,456,142
2000	06.03.2000	06.12.2002 – 05.12.2009	4.542	2,682,795	2,682,795
2001	05.03.2001	05.12.2003 – 04.12.2010	5.367	4,318,486	4,318,486
2002	08.04.2002	09.04.2003 – 08.04.2012	5.742	6,501,303	6,501,303
2002A	22.04.2002	23.04.2003 – 22.04.2012	5.692	720,000	720,000
2002B	23.10.2002	24.10.2003 – 23.10.2012	4.367	180,000	180,000
2003	27.03.2003	28.03.2004 – 26.03.2013	4.067	5,301,677	5,301,677
2004	15.03.2004	16.03.2005 – 14.03.2014	5.142	4,716,205	4,716,205
2004A	19.08.2004	20.08.2005 – 18.08.2014	5.492	160,800	160,800
2004B	22.11.2004	23.11.2005 – 21.11.2014	5.667	103,200	103,200
2005	14.03.2005	15.03.2006 – 13.03.2015	5.767	4,714,251	2,776,695
2005A	08.04.2005	09.04.2006 – 07.04.2015	5.784	1,924,596	939,684
2006	14.03.2006	15.03.2007 – 13.03.2016	6.820	3,773,621	1,107,958
2006A	23.01.2006	24.01.2007 – 22.01.2016	6.780	12,400	4,092
2006B	23.05.2006	24.05.2007 – 22.05.2016	6.580	1,198,670	284,790
2007	14.03.2007	15.03.2008 – 13.03.2017	8.590	3,666,750	–
2007A	15.01.2007	16.01.2008 – 14.01.2017	7.600	445,000	–
2007B	14.03.2007	15.03.2008 – 13.03.2017	8.590	1,040,000	–
2007NED	14.03.2007	15.03.2008 – 13.03.2012	8.590	200,000	–
				<b>43,412,224</b>	<b>31,550,155</b>

At 31 December 2007, the weighted average remaining contractual life of outstanding share options was 5.7 years (2006: 6.0 years). The aggregate outstanding number of options granted to directors of the Bank was 4,503,400 (2006: 4,552,400).

During the year, the Bank granted options of 5,510,350 (2006: 5,846,476), of which 751,000 (2006: 795,600) were granted to directors of the Bank. The fair value of options granted determined using the binomial valuation model was \$9.4 million (2006: \$6.4 million). There are no market conditions or non-market performance conditions associated with the share option grants. Service conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 13. SHARE CAPITAL (CONTINUED)

#### 13.2 Share option schemes (continued)

Significant inputs that were used to determine the fair value of options granted were set out below:

	2007	2006
Acquisition price (\$)	<b>7.60 – 8.59</b>	6.58 – 6.82
Average share price from grant date to acceptance date (\$)	<b>7.75 – 9.00</b>	6.25 – 6.74
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	<b>17.15 – 20.21</b>	16.04 – 17.25
Risk-free rate based on SGS bond yield at acceptance date (%)	<b>2.73 – 3.11</b>	3.85 – 3.94
Expected dividend yield (%)	<b>2.56 – 2.97</b>	2.85 – 3.07
Exercise multiple (times)	<b>1.57</b>	1.57
Option life (years)	<b>5 and 10</b>	10

#### 13.3 Deferred share plan

During the year, 1,438,600 (2006: 1,444,490) ordinary shares were granted to executives of the Group, of which 80,287 (2006: 119,907 granted to two directors) were granted to a director of the Bank. Fair value of the shares at grant date was \$12.4 million (2006: \$9.8 million).

During the year, 868,964 (2006: 886,918) deferred shares were released to employees, of which 93,866 (2006: 68,462) were released to directors. At 31 December 2007, the directors of the Bank have deemed interest of 336,743 (2006: 340,905) deferred ordinary shares.

#### 13.4 Employee share purchase plan

The ESP Plan, administered by the Remuneration Committee, is offered to employees who have attained the age of 21 years and have at least six months of service with the Group. The ESP Plan provides employees with an opportunity to increase their equity interest in the Bank. An employee participates in the plan by making monthly contributions to his ESP Plan account.

The fair value of the rights under the second offering of the ESP Plan launched in June 2006, determined using the binomial valuation model was \$5.9 million. Significant inputs into the model were average share price of \$6.40, expected volatility of 17.22%, dividend yield of 3.0% and annual risk-free rate based on 2-year swap rate of 3.49%. The expected volatility is based on Bloomberg's 250-day historical price volatility as of acceptance date.

A summary of the movements in the number of acquisition rights of the ESP Plan is as follows:

	Note	2007		2006	
		Number of acquisition rights	Acquisition price	Number of acquisition rights	Acquisition price
At 1 January		<b>7,640,257</b>	<b>\$6.450</b>	4,072,657	\$5.050
Subscriptions on commencement of plan		–	–	8,222,248	\$6.450
Exercised – Issue of new shares	13.1(c)	–	–	(1,728,000)	\$5.050
Exercised – Treasury shares	13.1(c)	<b>(1,411,607)</b>	<b>\$6.450</b>	(2,258,382)	\$5.050
Forfeited		<b>(744,659)</b>	<b>\$6.450</b>	(668,266)	\$6.269
At 31 December		<b>5,483,991</b>	<b>\$6.450</b>	7,640,257	\$6.450
Average share price underlying acquisition rights exercised during the year			<b>\$8.963</b>		\$6.526

At 31 December 2007, a director of the Bank has 11,162 (2006: 11,162) acquisition rights under the Plan.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 14. CAPITAL RESERVES

	Note	GROUP AND BANK			
		2007 \$'000	2006 \$'000		
(a) Share premium					
At 1 January		–	4,109,099		
Share Option Schemes		–	9,095		
Share Purchase Plan		–	872		
Transfer to ordinary share capital	13.1	–	(3,227,243)		
Transfer to Class E preference share capital	13.1	–	(499,950)		
Transfer to Class G preference share capital	13.1	–	(391,873)		
At 31 December		–	–		
(b) Capital redemption reserve					
At 1 January		–	63,701		
Share buyback – cancelled	13.1(a)	–	2,577		
Transfer to ordinary share capital	13.1	–	(66,278)		
At 31 December		–	–		
	Note	GROUP 2007 \$'000	2006 \$'000	BANK 2007 \$'000	2006 \$'000
(c) Other capital reserves					
At 1 January		103,262	119,200	83,162	72,519
Share-based staff costs capitalised		10,915	10,643	10,915	10,643
Shares purchased by DSP Trust		(10,540)	(7,616)	–	–
Shares vested under DSP Scheme		5,554	5,137	–	–
Transfer to unappropriated profit	12	(53,229)	(24,102)	–	–
At 31 December		55,962	103,262	94,077	83,162
(d) Total capital reserves, at 31 December		55,962	103,262	94,077	83,162

Other capital reserves include the Bank's employee share schemes' reserves and other reserves required by Articles of Association.

### 15. STATUTORY RESERVES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January		2,027,811	1,959,332	1,698,130	1,631,330
Transfer (to)/from unappropriated profit	12	(351,595)	68,479	(339,626)	66,800
At 31 December		1,676,216	2,027,811	1,358,504	1,698,130

Statutory reserves are set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations.

For banking entities operating in Singapore, the requirement to set aside statutory reserves was spelt out in section 22(1) of the Banking Act (Cap. 19). This section was repealed with effect from 31 March 2007 and no further transfer of profits to statutory reserves is required. The Banking (Reserve Fund) (Transitional Provision) Regulation 2007 provides that a bank in Singapore may distribute or utilise in any manner any amount in its reserve fund maintained under the repealed section 22(1) of the Banking Act (Cap. 19), subject to a cap of 20% of the reserve fund as of 30 March 2007 for each calendar year.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 16. REVENUE RESERVES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unappropriated profit	12	5,755,694	4,120,811	2,799,983	1,680,138
General reserves		1,320,155	1,320,155	976,000	976,000
Currency translation reserves		(376,542)	(316,422)	(66,226)	(94,298)
		<b>6,699,307</b>	5,124,544	<b>3,709,757</b>	2,561,840
<b>16.1 General reserves</b>					
At 1 January		1,320,155	1,389,063	976,000	976,000
Transfer to unappropriated profit	12	–	(68,908)	–	–
At 31 December		<b>1,320,155</b>	1,320,155	<b>976,000</b>	976,000
<b>16.2 Currency translation reserves</b>					
At 1 January		(316,422)	(295,896)	(94,298)	(73,934)
Adjustments for the year		(94,531)	(20,526)	16,457	(20,364)
Effective portion of hedge		34,411	–	11,615	–
At 31 December		<b>(376,542)</b>	(316,422)	<b>(66,226)</b>	(94,298)

General reserves comprise balances set aside by subsidiaries under their Articles of Association and the merger reserve of a subsidiary (arising from shares issued for acquisition). Currency translation reserves comprise exchange differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

### 17. MINORITY INTERESTS

	Note	GROUP	
		2007 \$'000	2006 \$'000
Minority interests in subsidiaries		587,334	512,593
Preference shares issued by subsidiaries			
OCBC Capital Corporation	(a)	400,000	400,000
OCBC Bank (Malaysia) Berhad	(b)	173,888	174,038
Total minority interests		<b>1,161,222</b>	1,086,631

- (a) \$400 million 3.93% non-cumulative non-convertible guaranteed preference shares (“OCC-A Preference Shares”) with liquidation value of \$100 each, were issued on 2 February 2005 by OCBC Capital Corporation (“OCC”), a subsidiary of the Bank. The proceeds were on-lent to the Bank in exchange for a note issued by the Bank (Note 22.1), which guarantees on a subordinated basis, all payment obligations in respect of the OCC-A Preference Shares. The preference shares and subordinated note qualified as Tier-1 capital for the Group and the Bank.

The preference shares are redeemable in whole but not in part, at the option of OCC on 20 March 2015 and on each dividend payment date thereafter. Dividends, if declared by the Board of Directors of OCC, are payable semi-annually on or prior to 20 March 2015 at 3.93% per annum and thereafter, payable quarterly at a floating rate equal to the 3-month Singapore swap offer rate plus 1.85%.

- (b) RM400 million non-cumulative non-convertible preference shares with liquidation value of RM100 each, were issued on 12 August 2005 by OCBC Bank (Malaysia) Berhad (“OBMB”), a wholly-owned subsidiary of the Bank. The preference shares qualified as Tier 1 capital of OBMB but are excluded from the Group’s capital in its calculation of capital adequacy ratios.

The preference shares are redeemable at the option of OBMB on the 10th anniversary from the issue date or on each dividend payment date. Dividends, payable at the discretion of the Board of Directors of OBMB, shall be made in arrears on 20 March and 20 September in each calendar year. On or prior to the 10th anniversary of the issue date, the preference shares carry a net cash dividend of 4.51% per annum of the liquidation preference value. Thereafter, gross dividend is at a floating rate determined at each dividend payment period, equal to the 6-month Kuala Lumpur Interbank Offered Rate (“KLIBOR”) plus 1.9%.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 18. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Deposits of non-bank customers</b>				
Current accounts	12,538,308	10,034,856	9,759,688	8,085,901
Savings deposits	12,999,311	11,214,703	11,291,823	9,792,956
Term deposits	54,993,992	46,374,949	44,724,063	37,850,153
Structured deposits	3,770,988	3,822,247	3,505,284	3,214,376
Certificate of deposits issued	1,015,258	1,655,132	905,252	205,493
Other deposits	3,470,537	2,013,094	229,006	214,297
	<b>88,788,394</b>	75,114,981	<b>70,415,116</b>	59,363,176
<b>Deposits and balances of banks</b>	<b>14,726,082</b>	11,869,252	<b>13,023,929</b>	11,233,918
	<b>103,514,476</b>	86,984,233	<b>83,439,045</b>	70,597,094

#### 18.1 Deposits of non-bank customers

##### Analysed by currency

Singapore Dollar	52,873,226	46,018,074	52,689,903	45,936,329
US Dollar	11,472,660	8,352,471	10,359,859	7,700,609
Malaysian Ringgit	13,632,898	11,956,743	—	—
Indonesian Rupiah	2,903,460	2,956,749	—	—
Japanese Yen	846,667	884,490	835,834	862,164
Hong Kong Dollar	1,243,826	634,416	1,243,742	634,416
British Pound	1,298,226	1,273,763	1,282,650	1,265,280
Australian Dollar	2,591,494	1,682,189	2,502,868	1,633,604
Euro	757,884	655,218	736,698	639,623
Others	1,168,053	700,868	763,562	691,151
	<b>88,788,394</b>	75,114,981	<b>70,415,116</b>	59,363,176

#### 18.2 Deposits and balances of banks

##### Analysed by currency

Singapore Dollar	3,645,225	2,503,955	3,645,225	2,503,955
US Dollar	7,608,540	6,347,522	6,682,017	6,128,352
Malaysian Ringgit	408,221	264,739	—	—
Indonesian Rupiah	41,607	149,522	—	—
Japanese Yen	170	28,074	170	28,074
Hong Kong Dollar	1,038,959	778,726	1,038,959	778,726
British Pound	174,903	481,605	174,693	481,605
Australian Dollar	362,011	251,079	361,179	249,209
Euro	843,720	816,120	843,720	816,120
Others	602,726	247,910	277,966	247,877
	<b>14,726,082</b>	11,869,252	<b>13,023,929</b>	11,233,918

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 19. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at balance sheet date are analysed below.

GROUP (\$'000)	2007			2006		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
<b>Foreign exchange derivatives "FED"</b>						
Forwards	34,330,587	245,798	267,185	4,862,473	28,791	29,531
Swaps	69,512,048	1,091,064	1,051,689	43,788,583	842,666	814,613
OTC options – bought	6,214,438	83,752	1,933	5,572,300	19,926	6,588
OTC options – sold	4,645,703	1,933	51,225	5,294,058	12,044	10,143
Exchange traded options – bought	55	13	–	–	–	–
Exchange traded options – sold	55	–	13	–	–	–
	<b>114,702,886</b>	<b>1,422,560</b>	<b>1,372,045</b>	59,517,414	903,427	860,875
<b>Interest rate derivatives "IRD"</b>						
Forwards	3,500,000	1,074	1,310	6,575,000	534	539
Swaps	209,638,207	1,403,750	1,197,833	170,524,268	1,463,274	1,219,397
OTC options – bought	5,034,437	24,499	7	2,179,437	10,651	1,923
OTC options – sold	2,287,761	7	9,519	1,754,078	1,201	7,967
Exchange traded futures – bought	2,173,864	1,208	298	260,482	13	471
Exchange traded futures – sold	590,617	1,198	625	154,112	617	628
	<b>223,224,886</b>	<b>1,431,736</b>	<b>1,209,592</b>	181,447,377	1,476,290	1,230,925
<b>Equity derivatives</b>						
Forwards	5,489	292	–	–	–	–
Swaps	86,505	2,769	2,769	–	–	–
OTC options – bought	357,177	47,283	–	281,192	12,840	331
OTC options – sold	332,698	–	62,828	30,978	504	2,889
Exchange traded futures – bought	4,160	6	61	–	–	–
Exchange traded futures – sold	11,003	89	50	–	–	–
	<b>797,032</b>	<b>50,439</b>	<b>65,708</b>	312,170	13,344	3,220
<b>Credit derivatives</b>						
Credit default swaps – seller	275,262	319	17,331	293,455	3,426	830
<b>Other derivatives</b>						
Precious metals – bought	10,263	214	–	2,138	8	–
Precious metals – sold	4,556	–	23	2,431	–	7
OTC options – bought	12,297	695	–	–	–	–
OTC options – sold	12,308	–	728	–	–	–
Others	885,962	31,119	31,119	892,134	17,939	17,939
	<b>925,386</b>	<b>32,028</b>	<b>31,870</b>	896,703	17,947	17,946
<b>Total</b>	<b>339,925,452</b>	<b>2,937,082</b>	<b>2,696,546</b>	242,467,119	2,414,434	2,113,796
Included items designated for hedges:						
Fair value hedge – FED	2,462,989	266,471	518,770	3,515,575	247,683	492,195
Fair value hedge – IRD	5,156,237	172,012	28,087	5,167,356	164,251	15,407
Investment hedge – FED	2,892,430	20,317	7,288	–	–	–
	<b>10,511,656</b>	<b>458,800</b>	<b>554,145</b>	8,682,931	411,934	507,602

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

BANK (\$'000)	2007			2006		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
<b>Foreign exchange derivatives "FED"</b>						
Forwards	29,663,538	220,914	239,986	3,720,308	23,094	22,050
Swaps	65,970,598	1,056,739	1,014,341	42,516,657	827,814	798,082
OTC options – bought	5,385,253	79,868	1,604	2,769,789	16,747	2,675
OTC options – sold	4,075,097	1,604	47,017	2,515,529	7,010	7,028
	<b>105,094,486</b>	<b>1,359,125</b>	<b>1,302,948</b>	51,522,283	874,665	829,835
<b>Interest rate derivatives "IRD"</b>						
Forwards	3,500,000	1,074	1,310	6,575,000	534	539
Swaps	200,402,230	1,364,831	1,172,321	163,884,676	1,433,628	1,189,172
OTC options – bought	4,349,764	20,104	–	1,896,620	10,176	–
OTC options – sold	2,021,469	–	8,616	1,628,352	–	7,977
Exchange traded futures – bought	2,169,546	1,196	298	260,482	13	471
Exchange traded futures – sold	581,992	1,198	625	154,112	617	628
	<b>213,025,001</b>	<b>1,388,403</b>	<b>1,183,170</b>	174,399,242	1,444,968	1,198,787
<b>Equity derivatives</b>						
Forwards	5,489	292	–	–	–	–
Swaps	86,505	2,769	2,769	–	–	–
OTC options – bought	284,215	34,914	–	266,170	12,607	330
OTC options – sold	271,469	–	51,561	28,514	233	3,157
Exchange traded futures – bought	4,160	6	61	–	–	–
Exchange traded futures – sold	11,003	89	50	–	–	–
	<b>662,841</b>	<b>38,070</b>	<b>54,441</b>	294,684	12,840	3,487
<b>Credit derivatives</b>						
Credit default swaps – seller	275,262	319	17,331	293,455	3,426	830
<b>Other derivatives</b>						
Precious metals – bought	9,657	209	–	678	4	–
Precious metals – sold	3,950	–	18	971	–	3
OTC options – bought	5,847	694	–	–	–	–
OTC options – sold	5,858	–	728	–	–	–
Others	885,962	31,119	31,119	892,134	17,939	17,939
	<b>911,274</b>	<b>32,022</b>	<b>31,865</b>	893,783	17,943	17,942
<b>Total</b>	<b>319,968,864</b>	<b>2,817,939</b>	<b>2,589,755</b>	227,403,447	2,353,842	2,050,881
Included items designated for hedges:						
Fair value hedge – FED	2,668,538	266,471	519,874	3,515,575	247,683	492,195
Fair value hedge – IRD	5,027,630	171,984	25,245	5,167,356	164,251	15,407
Investment hedge – FED	451,842	4,001	–	–	–	–
	<b>8,148,010</b>	<b>442,456</b>	<b>545,119</b>	8,682,931	411,934	507,602

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 20. OTHER LIABILITIES

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bills payable	313,548	297,616	177,297	179,692
Interest payable	622,388	625,027	508,850	528,679
Sundry creditors	1,951,756	1,253,466	211,315	210,788
Others	425,478	401,401	167,243	200,590
	<b>3,313,170</b>	2,577,510	<b>1,064,705</b>	1,119,749

At 31 December 2007, reinsurance liabilities included in "Others" amounted to \$16.1 million (2006: \$12.9 million).

### 21. DEFERRED TAX

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January					
As reported		942,878	364,626	134,921	146,267
Effect of FRS 40 adoption		6,179	–	–	–
As restated		949,057	364,626	134,921	146,267
Currency translation and others		(477)	1,410	44	48
Charge/(credit) to income statements		18,093	1,979	12,700	(4,651)
Effect of change in tax rates		(3,194)	–	(4,262)	–
Net charge/(credit) to income statements	10	14,899	1,979	8,438	(4,651)
(Over)/under provision in prior years		(5,167)	5,731	(5,167)	4,754
Deferred tax on fair value changes		(4,060)	8,519	(7,095)	(11,497)
Effect of change in tax rates		(13,598)	–	(8,677)	–
Net deferred tax change taken to equity		(17,658)	8,519	(15,772)	(11,497)
Change in life assurance fund tax		53,802	71,808	–	–
Provision against future policyholders' bonus		122,788	612,189	–	–
Deferred tax on fair value changes to income statement		–	5,200	–	–
Write-back of deferred tax on fair value reserve		–	(128,584)	–	–
Net change in life assurance fund tax <sup>(1)</sup>		176,590	560,613	–	–
At 31 December		<b>1,117,244</b>	942,878	<b>122,464</b>	134,921

Note:

<sup>(1)</sup> In 2006, the Inland Revenue Authority of Singapore issued a circular on the new basis for the taxation of the Life Participating Fund in Singapore which was subsequently enacted in 2007. Under this new basis, the surplus of the participating fund would be taxed on actual distribution to policyholders and shareholders. With this change, a deferred tax liability of \$735.0 million has been recognised on the future policyholders' bonus at 31 December 2007. The comparative amount of \$612.2 million at 31 December 2006, previously taken up as part of the insurance contract liabilities, has been accordingly reclassified and recognised separately. Deferred tax of \$128.6 million previously provided on the fair value reserve of Singapore participating fund has been written back.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax liabilities	1,162,693	991,066	123,130	136,887
Deferred tax assets	(45,449)	(48,188)	(666)	(1,966)
	<b>1,117,244</b>	942,878	<b>122,464</b>	134,921

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 21. DEFERRED TAX (CONTINUED)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) comprise:				
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	43,710	35,690	15,746	13,891
Debt and equity securities	348,618	269,803	77,958	94,740
Fair value on properties from business combinations	77,281	77,040	71,957	69,924
Provision for policy liabilities	734,977	612,189	–	–
Unremitted income and others	9,587	44,923	360	6
	<b>1,214,173</b>	<b>1,039,645</b>	<b>166,021</b>	<b>178,561</b>
<b>Deferred tax assets</b>				
Allowances for assets	(88,686)	(81,707)	(40,467)	(39,222)
Tax losses	(973)	(1,383)	(639)	(481)
Others	(7,270)	(13,677)	(2,451)	(3,937)
	<b>(96,929)</b>	<b>(96,767)</b>	<b>(43,557)</b>	<b>(43,640)</b>
<b>Net deferred tax liabilities</b>	<b>1,117,244</b>	<b>942,878</b>	<b>122,464</b>	<b>134,921</b>
Tax charge/(credit) in the income statements comprised:				
Accelerated tax depreciation	4,273	907	1,855	(781)
Allowances for assets	(2,148)	1,671	3,922	–
Debt and equity securities	5,993	6,994	(985)	1,022
Fair value on properties from business combinations	241	(1,496)	2,034	(1,270)
Tax losses	2,254	842	1,686	(497)
Others	4,286	(6,939)	(74)	(3,125)
	<b>14,899</b>	<b>1,979</b>	<b>8,438</b>	<b>(4,651)</b>

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2007, unutilised tax losses for which no deferred income tax asset has been recognised amounted to \$22.5 million (2006: \$40.5 million) and \$1.4 million (2006: \$2.0 million) for the Group and Bank respectively.

### 22. DEBTS ISSUED

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Subordinated debts (unsecured)	22.1	4,365,919	4,012,479	4,428,363	4,240,902
Floating rate notes (unsecured)	22.2	–	766,376	–	766,376
Euro commercial papers (unsecured)	22.3	574,910	321,170	574,910	321,170
Structured notes (unsecured)	22.4	28,748	30,648	28,748	30,648
		<b>4,969,577</b>	<b>5,130,673</b>	<b>5,032,021</b>	<b>5,359,096</b>

#### 22.1 Subordinated debts (unsecured)

##### Issued by Bank:

EUR 400 million 7.25% notes		874,598	853,226	874,598	853,226
SGD 975 million 5% notes		1,002,903	987,037	1,002,903	987,037
USD 1.25 billion 7.75% notes		1,925,764	2,000,639	1,925,764	2,000,639
Tier-2 subordinated notes 2011	(a)	3,803,265	3,840,902	3,803,265	3,840,902
Tier-2 SGD 225 million 3.78% notes 2017	(b)	225,098	–	225,098	–
Tier-1 SGD 400 million 3.93% note 2055	(c)	–	–	400,000	400,000
		<b>4,028,363</b>	<b>3,840,902</b>	<b>4,428,363</b>	<b>4,240,902</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 22. DEBTS ISSUED (CONTINUED)

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>22.1 Subordinated debts (unsecured) (continued)</b>					
<b>Issued by OCBC Bank (Malaysia) Berhad:</b>					
MYR 200 million Islamic bond	(d)	<b>86,944</b>	87,019		
Tier-2 MYR 400 million bonds	(e)	<b>173,920</b>	–		
		<b>260,864</b>	87,019		
<b>Issued by P.T. Bank NISP Tbk:</b>					
Series A – IDR 455 billion		<b>69,506</b>	76,905		
Series B – USD 5 million		<b>7,186</b>	7,653		
Subordinated Bonds I	(f)	<b>76,692</b>	84,558		
<b>Total subordinated debts</b>		<b>4,365,919</b>	4,012,479	<b>4,428,363</b>	4,240,902

- (a) The tier-2 subordinated notes 2011 were issued on 6 July 2001, and mature on 6 September 2011. Interest is payable at fixed interest rates, semi-annually for the SGD and USD notes and annually for the EUR notes. The Bank has entered into interest rate and currency swaps to manage the interest rate and foreign exchange risks of the Tier-2 subordinated notes. The cumulative fair value change of the risks hedged is included in the carrying value.
- (b) The tier-2 subordinated notes due 2017 callable with step-up in 2012 were issued on 28 November 2007 and mature on 28 November 2017. Interest is payable semi-annually at 3.78% per annum. If the notes are not called by 28 November 2012 (the “Step-up” date), interest payment will be made quarterly and the interest rate will be reset to the 3-month swap offer rate plus 1.72% per annum. The Bank has entered into interest rate swaps to hedge the risk of the subordinated notes. The cumulative fair value change of the risk hedged is included in the carrying value.
- (c) The tier-1 subordinated notes were issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation, on 2 February 2005 and mature on 20 March 2055. Interest is payable semi-annually on or prior to 20 March 2015 at 3.93% per annum and thereafter, payable quarterly at a floating rate equal to the 3-month Singapore swap offer rate plus 1.85%.
- (d) OCBC Bank (Malaysia) Berhad (“OBMB”) issued the redeemable Islamic subordinated bonds on 24 November 2006 under the Mudharabah (profit sharing) principle with a projected constant rate of 5.40% for the first 10 years and a step-up of 100 basis points from the 11th year, subject to the availability of profits and investors’ entitlement under the profit sharing ratio. The bonds are based on a 15-year non-call 10 year structure and mature on 24 November 2021. These bonds shall be redeemed in 5 equal and consecutive annual payments from the 11th year, unless the call option is exercised by OBMB. Each annual redemption shall be subject to the prior approval of Bank Negara Malaysia (“BNM”).
- (e) The subordinated bonds were issued on 30 November 2007 and mature on 30 November 2017. Interest is payable semi-annually at 4.55%. OBMB may, at its option, subject to the prior approval of BNM, redeem in whole, but not in part, the subordinated bonds on the date of the 5th anniversary and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued coupon payment. If the call option is not exercised by OBMB, the subordinated bonds shall be redeemed in full by 5 equal and consecutive annual payments. The first redemption is to commence on the 6th anniversary of the issue date, and subsequent redemption shall be at consecutive annual intervals from that date. The final redemption date shall be 30 November 2017. OBMB has entered into interest rate swaps to manage the risks of the subordinated bonds. The cumulative fair value changes of the risks hedged are included in the carrying value.
- (f) The subordinated bonds were issued on 10 March 2003 and mature on 12 March 2013 or earlier on 12 March 2008 if the option to buy is exercised by PT Bank NISP. The 10-year bonds comprise Series A and Series B bonds with interest payable quarterly. Series A bonds have fixed interest rate at 17.125% per annum for the first 5 years, and thereafter at 26% per annum. Series B bonds have fixed interest rate at 10.25% per annum for the first 5 years, and thereafter interest rate will be based on the 5-year US treasury rate plus 11.25% per annum.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 22. DEBTS ISSUED (CONTINUED)

#### 22.2 Floating rate notes (unsecured)

The notes were issued by the Bank on 18 June 2004 and matured on 18 June 2007. Interest was payable quarterly based on 3-month LIBOR plus 0.10%.

#### 22.3 Euro commercial papers (unsecured)

The zero coupon Euro Commercial Papers ("ECP") were issued by the Bank under its USD 2 billion ECP programme established in 2004. The outstanding notes at 31 December 2007 were issued between 28 June 2007 (2006: 18 October 2006) and 28 December 2007 (2006: 29 December 2006), and mature between 2 January 2008 (2006: 9 January 2007) and 28 February 2008 (2006: 19 March 2007), yielding between 2.25% to 9.20% (2006: 4.12% to 5.29%).

#### 22.4 Structured notes (unsecured)

	GROUP AND BANK	
	2007 \$'000	2006 \$'000
Callable range accrual notes	28,748	30,648

The callable range accrual notes comprise two series of USD10 million each. These were issued on 19 October 2004 and 11 April 2005 and mature on 19 October 2014 and 11 April 2015 respectively. The Bank has the right to call both notes at par on any interest payment dates, commencing 19 October 2005 and 11 October 2005 respectively. For the 2004 series, interest is payable quarterly, at 7.5% for the first 5 years and 12.5% for the next 5 years. For the 2005 series, interest is payable quarterly, at 3-month LIBOR plus 2.5% for the first 5 years and 3-month LIBOR plus 4.0% for the next 5 years. For both of the notes, no interest will be paid if the 30-year USD swap rate is lower than the 10-year USD swap rate.

### 23. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2007 \$ million	2006 \$ million
<b>Life assurance fund liabilities</b>		
Movements in life assurance fund		
At 1 January		
As reported	34,995.2	33,286.2
Effect of FRS 40	147.7	–
As restated	35,142.9	33,286.2
Currency translation	(83.0)	(123.9)
Fair value reserve movements	640.3	898.4
Increase in life assurance fund contract liabilities	2,543.5	805.5
Transfer of contract liabilities (Dependant Protection Scheme) from CPF Board	–	124.1
Property revaluation reserve	–	4.9
At 31 December	38,243.7	34,995.2
Policy benefits	1,645.2	1,474.4
Others	1,342.9	1,321.4
	41,231.8	37,791.0
<b>Life assurance fund investment assets</b>		
Deposits with banks and financial institutions	1,998.6	2,673.5
Loans	3,325.9	2,974.8
Securities	33,709.2	30,714.9
Investment property	1,178.3	640.2
Others <sup>(1)</sup>	924.7	609.2
	41,136.7	37,612.6

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 23. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS (CONTINUED)

	GROUP	
	2007	2006
	\$ million	\$ million
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	2.8	1.9
Capital commitment authorised and contracted	87.1	302.4
Derivative financial instruments (principal notional amount)	6,939.0	5,504.4
Derivative receivables	149.9	59.4
Derivative payables	22.4	12.2
Minimum lease rental receivables under non-cancellable operating leases	61.5	64.6

(1) Others comprised interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

### 24. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash on hand	497,080	412,611	359,796	324,518
Balances with central banks	2,422,801	1,817,686	1,707,389	1,175,739
Money market placements and reverse repos	5,476,517	3,511,046	3,425,940	1,707,326
	<b>8,396,398</b>	5,741,343	<b>5,493,125</b>	3,207,583

Balances with central banks include mandatory reserve deposits of \$2,272.7 million (2006: \$1,814.4 million) and \$1,564.0 million (2006: \$1,174.1 million) for the Group and Bank respectively.

### 25. GOVERNMENT TREASURY BILLS AND SECURITIES

		GROUP		BANK	
	Note	2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
<b>Singapore government treasury bills and securities</b>					
Trading, at fair value		3,264,361	2,161,935	3,264,361	2,161,935
Available-for-sale, at fair value		6,016,988	6,476,777	5,463,482	5,975,319
Assets under repurchase agreements	44	9,281,349 (519,178)	8,638,712 (491,756)	8,727,843 (519,178)	8,137,254 (491,756)
		<b>8,762,171</b>	8,146,956	<b>8,208,665</b>	7,645,498
<b>Other government treasury bills and securities</b>					
Trading, at fair value		1,115,928	171,986	383,379	90,370
Available-for-sale, at fair value		2,337,069	2,802,236	195,737	199,116
Assets under repurchase agreements	44	3,452,997 (7,251)	2,974,222 (779,224)	579,116 (7,251)	289,486 (3,784)
		<b>3,445,746</b>	2,194,998	<b>571,865</b>	285,702
<b>Analysed by geographical sector</b>					
Singapore		9,281,349	8,638,712	8,727,843	8,137,254
Malaysia		2,096,412	1,777,919	—	—
Other ASEAN		1,007,464	1,065,307	250,394	178,553
Asia Pacific		313,779	64,243	312,212	64,243
Rest of the World		35,342	66,753	16,510	46,690
		<b>12,734,346</b>	11,612,934	<b>9,306,959</b>	8,426,740

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 26. PLACEMENTS WITH AND LOANS TO BANKS

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>At fair value:</b>					
Certificate of deposits purchased (Trading)		–	68,966	–	68,966
Certificate of deposits purchased (Available-for-sale)		<b>1,907,118</b>	1,935,705	<b>1,635,419</b>	1,472,329
Forfeiting loans (Trading)		<b>222,398</b>	–	<b>222,398</b>	–
		<b>2,129,516</b>	2,004,671	<b>1,857,817</b>	1,541,295
<b>At amortised cost:</b>					
Placements with and loans to banks		<b>11,696,611</b>	15,478,502	<b>10,829,803</b>	14,316,151
Market bills purchased		<b>1,290,500</b>	532,574	<b>885,301</b>	531,222
Reverse repos		–	49,515	–	49,515
		<b>12,987,111</b>	16,060,591	<b>11,715,104</b>	14,896,888
<b>Balances with banks</b>					
Assets under repurchase agreements	44	<b>15,116,627</b>	18,065,262	<b>13,572,921</b>	16,438,183
Bank balances of life assurance fund		<b>(362,225)</b>	(577,583)	<b>(362,225)</b>	(28,231)
		<b>350,707</b>	262,410	–	–
		<b>15,105,109</b>	17,750,089	<b>13,210,696</b>	16,409,952
<b>Balances with banks analysed by currency</b>					
Singapore Dollar		<b>403,998</b>	580,633	<b>328,591</b>	260,250
US Dollar		<b>6,966,504</b>	12,063,983	<b>5,934,551</b>	11,436,798
Malaysian Ringgit		<b>310,043</b>	579,153	<b>65</b>	189
Indonesian Rupiah		<b>1,225</b>	13,633	<b>15</b>	17
Japanese Yen		<b>145,693</b>	317,674	<b>110,118</b>	259,810
Hong Kong Dollar		<b>278,971</b>	190,130	<b>278,762</b>	190,017
British Pound		<b>2,915,013</b>	1,584,079	<b>2,914,714</b>	1,583,687
Australian Dollar		<b>2,042,605</b>	890,192	<b>2,034,951</b>	882,994
Euro		<b>453,250</b>	1,479,587	<b>434,738</b>	1,462,648
Others		<b>1,599,325</b>	366,198	<b>1,536,416</b>	361,773
		<b>15,116,627</b>	18,065,262	<b>13,572,921</b>	16,438,183

### 27. LOANS AND BILLS RECEIVABLE

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Gross loans		<b>72,774,864</b>	61,132,358	<b>55,544,593</b>	47,790,875
Specific allowances	29	<b>(498,918)</b>	(862,259)	<b>(264,204)</b>	(505,023)
Portfolio allowances	30	<b>(959,946)</b>	(961,099)	<b>(789,983)</b>	(807,136)
Net loans		<b>71,316,000</b>	59,309,000	<b>54,490,406</b>	46,478,716
Net loans comprise:					
Bills receivable		<b>1,176,680</b>	738,012	<b>455,190</b>	320,821
Loans		<b>70,139,320</b>	58,570,988	<b>54,035,216</b>	46,157,895
		<b>71,316,000</b>	59,309,000	<b>54,490,406</b>	46,478,716

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 27. LOANS AND BILLS RECEIVABLE (CONTINUED)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>27.1 Analysed by currency</b>				
Singapore Dollar	42,616,719	37,113,901	41,728,171	36,382,225
US Dollar	9,416,538	7,989,924	7,335,929	6,922,179
Malaysian Ringgit	10,868,691	9,043,539	72	87
Indonesian Rupiah	2,401,928	2,322,941	–	–
Japanese Yen	847,967	441,278	802,834	350,896
Hong Kong Dollar	1,838,140	1,040,798	1,826,804	1,040,460
British Pound	852,916	906,949	851,702	906,534
Australian Dollar	1,872,154	1,169,923	1,870,267	1,148,656
Euro	540,391	282,783	512,371	257,740
Others	1,519,420	820,322	616,443	782,098
	<b>72,774,864</b>	<b>61,132,358</b>	<b>55,544,593</b>	<b>47,790,875</b>
<b>27.2 Analysed by product</b>				
Overdrafts	3,773,234	4,034,251	1,960,485	2,187,381
Short-term and revolving loans	11,932,681	9,697,261	8,449,382	7,426,158
Syndicated and term loans	27,671,742	20,120,883	21,601,871	16,139,836
Housing and commercial property loans	21,019,337	19,931,267	17,514,007	16,702,220
Car, credit card and share margin loans	3,512,982	3,523,825	2,526,914	2,733,814
Others	4,864,888	3,824,871	3,491,934	2,601,466
	<b>72,774,864</b>	<b>61,132,358</b>	<b>55,544,593</b>	<b>47,790,875</b>
<b>27.3 Analysed by interest rate sensitivity</b>				
<b>Fixed</b>				
Singapore	7,518,671	7,312,876	7,395,784	7,240,539
Malaysia	1,148,349	884,471	49,425	26,316
Other ASEAN	185,960	256,751	31,337	8,009
Greater China	92,833	100,066	479	100,066
Other Asia Pacific	208,115	789	208,115	789
Rest of the World	15,291	71,529	15,291	71,529
	<b>9,169,219</b>	<b>8,626,482</b>	<b>7,700,431</b>	<b>7,447,248</b>
<b>Variable</b>				
Singapore	40,547,397	34,959,191	39,731,727	34,214,422
Malaysia	11,512,555	9,651,184	1,330,602	890,901
Other ASEAN	3,542,281	2,866,286	373,534	209,089
Greater China	3,685,633	2,064,338	2,090,520	2,064,338
Other Asia Pacific	2,558,229	1,296,665	2,558,229	1,296,665
Rest of the World	1,759,550	1,668,212	1,759,550	1,668,212
	<b>63,605,645</b>	<b>52,505,876</b>	<b>47,844,162</b>	<b>40,343,627</b>
<b>Total</b>	<b>72,774,864</b>	<b>61,132,358</b>	<b>55,544,593</b>	<b>47,790,875</b>

The analysis by interest rate sensitivity is based on where the transactions are booked.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 27. LOANS AND BILLS RECEIVABLE (CONTINUED)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>27.4 Analysed by industry</b>				
Agriculture, mining and quarrying	1,116,239	985,851	214,016	279,034
Manufacturing	6,277,880	5,042,794	2,262,535	2,492,860
Building and construction	13,652,614	9,332,117	11,106,762	7,637,868
Housing	19,247,165	18,148,552	15,678,412	14,822,563
General commerce	6,942,776	5,811,574	5,080,803	4,447,794
Transport, storage and communication	3,921,919	2,537,180	3,470,143	2,195,264
Financial institutions, investment and holding companies	10,609,594	8,416,371	10,146,287	7,800,276
Professionals and individuals	7,385,310	7,330,336	5,964,694	6,195,951
Others	3,621,367	3,527,583	1,620,941	1,919,265
	<b>72,774,864</b>	<b>61,132,358</b>	<b>55,544,593</b>	<b>47,790,875</b>
<b>27.5 Analysed by geographical sector</b>				
Singapore	45,310,606	39,490,672	44,442,452	38,759,198
Malaysia	12,101,623	10,416,738	829,445	902,345
Other ASEAN	4,446,496	3,737,191	1,106,925	815,807
Greater China	5,133,159	3,102,768	3,438,576	3,036,257
Other Asia Pacific	3,072,651	1,866,086	3,050,609	1,789,694
Rest of the World	2,710,329	2,518,903	2,676,586	2,487,574
	<b>72,774,864</b>	<b>61,132,358</b>	<b>55,544,593</b>	<b>47,790,875</b>

Loans to and bills receivable from customers by geographical sector risk concentration are determined based on where the credit risk resides, regardless of where the transactions are booked.

### 28. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES

Non-performing loans and debt securities are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

	GROUP		BANK	
	2007 \$ million	2006 \$ million	2007 \$ million	2006 \$ million
<b>Classified loans to customers</b>				
Substandard	586	854	232	437
Doubtful	350	558	262	445
Loss	302	392	153	238
	<b>1,238</b>	<b>1,804</b>	<b>647</b>	<b>1,120</b>
<b>Classified debt securities</b>				
Substandard	6	#	–	#
Doubtful	100	25	100	25
Loss	10	–	–	–
	<b>116</b>	<b>25</b>	<b>100</b>	<b>25</b>
<b>Total classified assets</b>	<b>1,354</b>	<b>1,829</b>	<b>747</b>	<b>1,145</b>
Substandard	52	81	40	51
Doubtful	393	536	295	394
Loss	166	225	30	77
<b>Specific allowances made for classified assets</b>	<b>611</b>	<b>842</b>	<b>365</b>	<b>522</b>

# Amount less than \$0.5 million

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 28. NON-PERFORMING LOANS (“NPLS”) AND DEBT SECURITIES (CONTINUED)

	GROUP		BANK	
	2007 \$ million	2006 \$ million	2007 \$ million	2006 \$ million
<b>28.1 Analysed by period overdue</b>				
Over 180 days	696	1,043	324	617
Over 90 days to 180 days	190	215	125	162
30 days to 90 days	137	164	71	106
Less than 30 days	191	76	98	74
No overdue	140	331	129	186
	<b>1,354</b>	<b>1,829</b>	<b>747</b>	<b>1,145</b>
<b>28.2 Analysed by collateral type</b>				
Property	744	963	380	597
Fixed deposit	3	7	2	6
Stock and shares	23	39	7	16
Motor vehicles	6	3	4	2
Secured – Others	48	36	28	18
Unsecured – Corporate and other guarantees	229	331	226	331
Unsecured – Clean	301	450	100	175
	<b>1,354</b>	<b>1,829</b>	<b>747</b>	<b>1,145</b>
<b>28.3 Analysed by industry</b>				
Agriculture, mining and quarrying	12	14	1	1
Manufacturing	275	365	105	179
Building and construction	187	251	92	134
Housing	301	380	194	291
General commerce	146	304	54	166
Transport, storage and communication	23	21	14	15
Financial institutions, investment and holding companies	179	178	152	128
Professionals and individuals	170	253	110	195
Others	61	63	25	36
	<b>1,354</b>	<b>1,829</b>	<b>747</b>	<b>1,145</b>
<b>28.4 Analysed by geographical sector</b>				
<b>GROUP (\$ million)</b>	<b>Singapore</b>	<b>Malaysia</b>	<b>Rest of the World</b>	<b>Total</b>
<b>2007</b>				
Substandard	185	336	71	592
Doubtful	185	114	151	450
Loss	142	98	72	312
	<b>512</b>	<b>548</b>	<b>294</b>	<b>1,354</b>
Specific allowances	(201)	(230)	(180)	(611)
	<b>311</b>	<b>318</b>	<b>114</b>	<b>743</b>
<b>2006</b>				
Substandard	381	401	72	854
Doubtful	337	143	103	583
Loss	232	108	52	392
	<b>950</b>	<b>652</b>	<b>227</b>	<b>1,829</b>
Specific allowances	(393)	(307)	(142)	(842)
	<b>557</b>	<b>345</b>	<b>85</b>	<b>987</b>

Non-performing loans (“NPLs”) and debt securities by geographical sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 28. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES (CONTINUED)

#### 28.5 Restructured/renegotiated loans

The table below is an analysis of restructured loans into loan classification and the related specific allowances as at reporting date. The restructured loans as a percentage of total NPLs were 13.7% (2006: 20.2%) and 13.1% (2006: 20.0%) for the Group and the Bank respectively.

	2007		2006	
	Amount \$ million	Allowance \$ million	Amount \$ million	Allowance \$ million
<b>GROUP</b>				
Substandard	95	5	216	40
Doubtful	59	69	120	125
Loss	32	14	33	33
	<b>186</b>	<b>88</b>	369	198
<b>BANK</b>				
Substandard	55	5	129	14
Doubtful	40	50	96	103
Loss	3	1	4	2
	<b>98</b>	<b>56</b>	229	119

### 29. SPECIFIC ALLOWANCES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January		862,259	1,097,404	505,023	726,487
Currency translation		(10,520)	(21,515)	(4,475)	(11,312)
Bad debts written off		(200,819)	(186,690)	(127,994)	(162,386)
Recovery of amounts previously provided for (Write-back)/allowances for loans		(55,057)	(45,698)	(43,401)	(32,892)
Net (write-back)/allowances	9	(107,763)	21,214	(78,191)	(16,587)
Interest recognition on impaired loans		(36,526)	(45,110)	(20,698)	(28,135)
Interest capitalised as allowance for restructured loans		–	1,167	–	1,167
Transfer from/(to):					
Available-for-sale securities		(7,713)	(4,488)	(6,063)	(4,488)
Portfolio allowances	30	–	342	–	342
Allowances for impairment of securities and other assets	33	–	(15)	–	(15)
Other provisions		–	(50)	–	(50)
Subsidiary upon incorporation		–	–	(3,398)	–
At 31 December	27	<b>498,918</b>	862,259	<b>264,204</b>	505,023

### 30. PORTFOLIO ALLOWANCES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January		961,099	962,122	807,136	808,614
Currency translation		(1,153)	(681)	(430)	(1,136)
Transfer to subsidiary upon incorporation		–	–	(16,723)	–
Transfer to specific allowances for loans	29	–	(342)	–	(342)
At 31 December	27	<b>959,946</b>	961,099	<b>789,983</b>	807,136

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 31. DEBT AND EQUITY SECURITIES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Trading securities</b>					
Quoted debt securities		663,553	258,511	648,848	244,034
Unquoted debt securities		532,670	167,286	–	–
Quoted equity securities		241,290	46,531	231,257	38,370
		<b>1,437,513</b>	472,328	<b>880,105</b>	282,404
<b>Available-for-sale securities</b>					
Quoted debt securities		5,936,281	3,962,882	4,919,451	3,252,238
Unquoted debt securities		3,056,470	1,477,191	2,177,755	1,076,995
Quoted equity securities		2,770,556	1,260,308	560,033	549,581
Unquoted equity securities		162,891	227,367	26,805	31,761
		<b>11,926,198</b>	6,927,748	<b>7,684,044</b>	4,910,575
<b>Securities classified as loans and receivables</b>					
Unquoted debt, at amortised cost		286,789	224,721	258,861	204,928
Allowance for impairment		(25,588)	(18,540)	(22,614)	(17,635)
Net carrying value		<b>261,201</b>	206,181	<b>236,247</b>	187,293
<b>Total debt and equity securities</b>					
Debt securities – gross		10,475,763	6,090,591	8,004,915	4,778,195
Allowance for impairment	33	(25,588)	(18,540)	(22,614)	(17,635)
Debt securities – net		10,450,175	6,072,051	7,982,301	4,760,560
Equity securities		3,174,737	1,534,206	818,095	619,712
Total securities		13,624,912	7,606,257	8,800,396	5,380,272
Assets pledged	44	–	(48,016)	–	–
		<b>13,624,912</b>	7,558,241	<b>8,800,396</b>	5,380,272
<b>DEBT SECURITIES ANALYSIS</b>					
<b>By credit rating</b>					
Investment grade (AAA to BBB)		6,018,370	3,391,388	4,244,234	2,471,812
Non-investment grade (BB to C)		748,172	571,700	677,078	563,235
Non-rated		3,683,633	2,108,963	3,060,989	1,725,513
		<b>10,450,175</b>	6,072,051	<b>7,982,301</b>	4,760,560
<b>By credit quality</b>					
Pass		10,290,536	5,826,067	7,826,928	4,517,981
Special mention		155,327	235,670	155,327	235,670
Substandard		3,333	329	–	329
Doubtful		22,660	24,215	22,660	24,215
Loss		3,907	4,310	–	–
Allowance for impairment	33	(25,588)	(18,540)	(22,614)	(17,635)
		<b>10,450,175</b>	6,072,051	<b>7,982,301</b>	4,760,560



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 31. DEBT AND EQUITY SECURITIES (CONTINUED)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>TOTAL DEBT AND EQUITY SECURITIES – CONCENTRATION RISKS</b>				
<b>By industry</b>				
Agriculture, mining and quarrying	183,407	104,287	40,264	32,998
Manufacturing	1,224,089	1,143,402	730,393	812,829
Building and construction	1,502,022	1,014,093	968,110	649,114
General commerce	282,651	278,270	166,543	224,024
Transport, storage and communication	949,579	600,649	756,135	500,090
Financial institutions, investment and holding companies	7,209,320	3,400,371	5,156,258	2,626,590
Others	2,273,844	1,065,185	982,693	534,627
	<b>13,624,912</b>	<b>7,606,257</b>	<b>8,800,396</b>	<b>5,380,272</b>
<b>By issuer</b>				
Public sector	995,003	308,141	890,526	220,632
Banks	3,426,985	1,296,007	2,984,297	918,471
Corporations	9,004,891	5,816,897	4,905,836	4,215,446
Others	198,033	185,212	19,737	25,723
	<b>13,624,912</b>	<b>7,606,257</b>	<b>8,800,396</b>	<b>5,380,272</b>
<b>By geographical sector</b>				
Singapore	4,214,487	3,055,335	2,601,311	2,068,258
Malaysia	1,556,542	863,570	334,698	260,942
Other ASEAN	200,912	166,982	156,719	118,869
Greater China	1,655,758	543,408	431,412	371,249
Other Asia Pacific	1,683,239	905,937	1,523,302	794,832
Rest of the World	4,313,974	2,071,025	3,752,954	1,766,122
	<b>13,624,912</b>	<b>7,606,257</b>	<b>8,800,396</b>	<b>5,380,272</b>

Debt securities are 77% (2006: 80%) and 91% (2006: 88%) of total securities, for the Group and the Bank respectively. Included in debt securities is an amount of \$0.2 billion (2006: \$0.3 billion) relating to credit linked notes and collateralised debt with credit default swaps where the Bank acts as the protection seller. Derivative receivables and payables arising from these credit default swaps are included in Note 19.

### 32. OTHER ASSETS

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest receivable	1,082,265	1,040,681	946,791	926,861
Sundry debtors (net)	1,344,128	1,103,240	42,777	20,997
Deposits and prepayments	163,261	137,504	104,465	95,712
Others	392,202	242,792	218,587	157,564
	<b>2,981,856</b>	<b>2,524,217</b>	<b>1,312,620</b>	<b>1,201,134</b>

At 31 December 2007, reinsurance assets included in "Others" amounted to \$65.6 million (2006: \$54.3 million) for the Group.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 33. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP (\$'000)	Note	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total	
<b>2007</b>							
At 1 January							
As previously reported		18,540	155,690	–	25,523	199,753	
Effect of FRS 40		–	(103,614)	103,614	–	–	
Reclassification		–	66,334	–	–	66,334	
As restated		18,540	118,410	103,614	25,523	266,087	
Currency translation		(1,602)	(69)	313	(1,100)	(2,458)	
Amounts written off		–	(2,910)	(5,763)	(2,622)	(11,295)	
(Write-back)/impairment charge	9	9,312	(16,675)	(86,445)	3,215	(90,593)	
Interest recognition on net NPLs		(662)	–	–	–	(662)	
Transfer from/(to):							
Assets held for sale		–	–	(475)	–	(475)	
Life assurance fund investment assets		–	(11,193)	–	–	(11,193)	
Other accounts		–	(6,254)	6,254	–	–	
At 31 December		25,588	81,309	17,498	25,016	149,411	
		(Note 31)	(Note 36)	(Note 37)			
<b>2006</b>							
At 1 January							
As previously reported		50,240	176,392	–	22,036	248,668	
Effect of FRS 40		–	(106,669)	106,669	–	–	
Reclassification		–	66,562	–	–	66,562	
As restated		50,240	136,285	106,669	22,036	315,230	
Currency translation		(1,776)	(231)	11	(273)	(2,269)	
Amounts written off		(21,458)	(59)	(400)	(2,446)	(24,363)	
(Write-back)/impairment charge	9	(8,069)	(18,620)	99	5,273	(21,317)	
Write-back to profit from life assurance		–	(48)	–	–	(48)	
Interest recognition on net NPLs		(397)	–	–	–	(397)	
Transfer from/(to):							
Specific allowances for loans	29	–	–	–	15	15	
Assets held for sale		–	–	(1,682)	–	(1,682)	
Other accounts		–	1,083	(1,083)	918	918	
At 31 December		18,540	118,410	103,614	25,523	266,087	
		(Note 31)	(Note 36)	(Note 37)			
<b>BANK (\$'000)</b>							
	Note	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
<b>2007</b>							
At 1 January							
As previously reported		149,832	17,635	130,935	–	35,939	334,341
Effect of FRS 40		–	–	(95,984)	95,984	–	–
As restated		149,832	17,635	34,951	95,984	35,939	334,341
Currency translation		–	(1,366)	–	277	–	(1,089)
Amounts written off		(2,754)	–	–	–	(744)	(3,498)
(Write-back)/impairment charge	9	(17,969)	6,616	(15,423)	(85,926)	(35,075)	(147,777)
Interest recognition on net NPLs		–	(271)	–	–	–	(271)
At 31 December		129,109	22,614	19,528	10,335	120	181,706

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For the financial year ended 31 December 2007

### 33. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS (CONTINUED)

BANK (\$'000)	Note	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
<b>2006</b>							
At 1 January							
As previously reported		158,431	28,087	137,976	–	39,759	364,253
Effect of FRS 40		–	–	(100,035)	100,035	–	–
As restated		158,431	28,087	37,941	100,035	39,759	364,253
Currency translation		–	(1,526)	–	54	(13)	(1,485)
Amounts written off		(14,989)	118	(58)	(245)	(1,143)	(16,317)
(Write-back)/impairment charge	9	6,390	(8,647)	(1,458)	(5,334)	(2,679)	(11,728)
Interest recognition on net NPLs		–	(397)	–	–	–	(397)
Transfer from/(to):							
Specific allowances for loans	29	–	–	–	–	15	15
Other accounts		–	–	(1,474)	1,474	–	–
At 31 December		149,832	17,635	34,951	95,984	35,939	334,341
		(Notes 34–35)	(Note 31)	(Note 36)	(Note 37)		

### 34. ASSOCIATES AND JOINT VENTURES

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment securities, at cost					
Quoted equities		<b>87,384</b>	87,484	<b>85,556</b>	85,556
Unquoted equities		<b>108,654</b>	150,933	<b>14,561</b>	17,561
Allowance for impairment	33	–	–	<b>(3,701)</b>	(6,524)
Net carrying value		<b>196,038</b>	238,417	<b>96,416</b>	96,593
Share of post-acquisition reserves		<b>31,512</b>	53,129	–	–
Amount due from associates (unsecured)		<b>15,866</b>	17,668	–	–
		<b>243,416</b>	309,214	<b>96,416</b>	96,593
Fair value of quoted associates		<b>98,699</b>	119,438	<b>72,197</b>	96,106

#### 34.1 Associates

The summarised financial information of associates is as follows:

\$'000	2007	2006
<b>At 31 December:</b>		
Assets	<b>1,891,590</b>	1,831,066
Liabilities	<b>271,837</b>	244,650
Share of contingent liabilities	<b>14,195</b>	50,471
<b>For the year ended:</b>		
Total income	<b>337,606</b>	311,787
Profit	<b>112,456</b>	128,790

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For the financial year ended 31 December 2007

### 34. ASSOCIATES AND JOINT VENTURES (CONTINUED)

#### 34.1 Associates (continued)

Details of significant associates of the Group are as follows:

Name of associates	Country of incorporation	Effective % interest held by the Group	
		2007	2006
<b>Quoted</b>			
British and Malayan Trustees Limited <sup>(1)</sup>	Singapore	43	43
PacificMas Berhad <sup>(1)</sup>	Malaysia	28	28
<b>Unquoted</b>			
Fairfield Investment Fund Ltd <sup>(2)(3)</sup>	British Virgin Islands	30	40
Fairfield Lion Investment Fund (Asia) Ltd <sup>(4)</sup>	Cayman Islands	37	59
Network For Electronic Transfers (Singapore) Pte Ltd <sup>(2)</sup>	Singapore	33	33

Notes:

<sup>(1)</sup> Audited by Ernst & Young.

<sup>(2)</sup> Audited by PricewaterhouseCoopers.

<sup>(3)</sup> Held by The Great Eastern Life Assurance Company Limited under shareholders' and life assurance funds.

<sup>(4)</sup> Audited by KPMG. Held by The Great Eastern Life Assurance Company Limited under life assurance fund. Fairfield Lion Investment Fund (Asia) Ltd had not been accounted for as a subsidiary in 2006 as the Group does not have control over the financial and operating policies of the investee.

#### 34.2 Joint ventures

The Group holds 50% interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). The summarised financial information of GEL China is as follows:

\$ million	2007	2006
Share of current assets	10.9	18.7
Share of non-current assets	22.6	9.1
Share of current liabilities	(6.6)	(0.7)
Share of non-current liabilities	(1.8)	(0.2)
Share of income	4.4	0.9
Share of expenses	(6.4)	(3.0)

### 35. SUBSIDIARIES

	Note	BANK	
		2007 \$'000	2006 \$'000
Investments in subsidiaries, at cost			
Quoted security		2,187,919	2,187,919
Unquoted securities		1,703,235	1,561,556
Allowance for impairment	33	(125,408)	(143,308)
Net carrying value		3,765,746	3,606,167
Amount due from subsidiaries			
Unsecured		2,261,965	1,433,175
Secured		482,700	82,687
		2,744,665	1,515,862
Investments in and amount due from subsidiaries		6,510,411	5,122,029

At 31 December 2007, the fair value of the Bank's quoted subsidiary, Great Eastern Holdings Limited, was \$6,620.5 million (2006: \$6,700.8 million).

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 35. SUBSIDIARIES (CONTINUED)

#### 35.1 List of significant subsidiaries

Details of the significant subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held by the Group	
		2007	2006
<b>Banking</b>			
Bank of Singapore Limited	Singapore	100	100
OCBC Bank (Malaysia) Berhad	Malaysia	100	100
OCBC Bank (China) Limited <sup>(1)</sup>	People's Republic of China	100	–
P.T. Bank NISP Tbk <sup>(2)</sup>	Indonesia	72	72
P.T. Bank OCBC Indonesia <sup>(2)</sup>	Indonesia	100	100
<b>Insurance</b>			
Great Eastern Life Assurance (Malaysia) Berhad <sup>(3)</sup>	Malaysia	87	87
Overseas Assurance Corporation (Malaysia) Berhad <sup>(3)</sup>	Malaysia	87	87
The Great Eastern Life Assurance Company Limited <sup>(3)</sup>	Singapore	87	87
The Overseas Assurance Corporation Limited <sup>(3)</sup>	Singapore	87	87
<b>Asset management and investment holding</b>			
Lion Capital Management Limited <sup>(3)</sup>	Singapore	91	91
Great Eastern Holdings Limited <sup>(3)</sup>	Singapore	87	87
<b>Stockbroking</b>			
OCBC Securities Private Limited	Singapore	100	100

Notes:

Unless otherwise indicated, the significant subsidiaries listed above are audited by KPMG Singapore and its associated firms.

<sup>(1)</sup> With the incorporation of the new subsidiary in China on 1 August 2007, branches of the Bank in Shanghai, Chengdu, Tianjin and Xiamen became branches of the subsidiary.

<sup>(2)</sup> Audited by PricewaterhouseCoopers

<sup>(3)</sup> Audited by Ernst & Young

#### 35.2 Acquisition of additional interests in subsidiary

During the year, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., subscribed for a total of 639,064,478 new shares pursuant to the rights issue undertaken by P.T. Bank NISP Tbk, at an issue price of IDR800 per share. The aggregate consideration for the rights issue subscription amounted to \$87.5 million and goodwill arising thereon was \$0.2 million (Note 38). Consequently, the Group's interest in NISP increased from 72.35% to 72.40%.

### 36. PROPERTY, PLANT AND EQUIPMENT

GROUP (\$'000)	2007				2006			
	Property -related	Computer -related	Others	Total	Property -related	Computer -related	Others	Total
<b>Cost</b>								
At 1 January								
As previously reported	1,565,946	381,094	248,757	2,195,797	1,637,018	390,288	233,188	2,260,494
Effect of FRS 40 (Note 37)	(899,961)	–	–	(899,961)	(988,492)	–	–	(988,492)
Reclassification <sup>(1)</sup>	746,785	261,117	73,405	1,081,307	740,036	224,469	38,572	1,003,077
As restated	1,412,770	642,211	322,162	2,377,143	1,388,562	614,757	271,760	2,275,079
Currency translation	(7,779)	(3,710)	(3,299)	(14,788)	(5,481)	(2,270)	(1,076)	(8,827)
Additions	26,435	139,411	61,261	227,107	52,167	121,266	74,679	248,112
Disposals and other transfers	(704)	(100,062)	(21,979)	(122,745)	(28,479)	(91,542)	(23,201)	(143,222)
Transfer from/(to):								
Investment property (Note 37)	22,247	–	(29,760)	(7,513)	9,146	–	–	9,146
Life assurance fund assets	(25,953)	–	–	(25,953)	(3,145)	–	–	(3,145)
At 31 December	1,427,016	677,850	328,385	2,433,251	1,412,770	642,211	322,162	2,377,143

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 36. PROPERTY, PLANT AND EQUIPMENT

GROUP (\$'000)	2007				2006			
	Property -related	Computer -related	Others	Total	Property -related	Computer -related	Others	Total
<b>Accumulated depreciation</b>								
At 1 January								
As previously reported	(274,726)	(212,472)	(177,160)	(664,358)	(252,499)	(234,588)	(168,359)	(655,446)
Effect of FRS 40 (Note 37)	152,071	–	–	152,071	144,732	–	–	144,732
Reclassification <sup>(1)</sup>	(47,571)	(116,504)	(40,327)	(204,402)	(52,766)	(97,697)	(23,991)	(174,454)
As restated	(170,226)	(328,976)	(217,487)	(716,689)	(160,533)	(332,285)	(192,350)	(685,168)
Currency translation	1,000	2,157	2,168	5,325	466	1,104	683	2,253
Disposals and other transfers	358	77,550	17,179	95,087	6,835	73,165	15,466	95,466
Depreciation charge (Note 8)	(15,292)	(55,381)	(21,223)	(91,896)	(15,542)	(49,312)	(24,023)	(88,877)
Depreciation charge to profit from life assurance (Note 4)	(12,719)	(22,547)	(7,866)	(43,132)	4,485	(21,648)	(17,263)	(34,426)
Transfer to/(from):								
Investment property (Note 37)	(6,537)	–	28,675	22,138	(497)	–	–	(497)
Life assurance fund assets	(11,077)	–	–	(11,077)	(5,440)	–	–	(5,440)
At 31 December	(214,493)	(327,197)	(198,554)	(740,244)	(170,226)	(328,976)	(217,487)	(716,689)
<b>Accumulated impairment losses (Note 33)</b>								
At 1 January								
As previously reported	(151,799)	–	(3,891)	(155,690)	(175,609)	–	(783)	(176,392)
Effect of FRS 40 (Note 37)	103,614	–	–	103,614	106,669	–	–	106,669
Reclassification <sup>(1)</sup>	(66,334)	–	–	(66,334)	(66,562)	–	–	(66,562)
As restated	(114,519)	–	(3,891)	(118,410)	(135,502)	–	(783)	(136,285)
Currency translation	68	–	1	69	222	–	9	231
Disposals and other transfers	–	20	2,890	2,910	59	151	(151)	59
Write-back/(impairment charge) to income statements	16,695	(20)	–	16,675	21,785	(151)	(2,966)	18,668
Transfer to/(from):								
Investment property (Note 37)	6,254	–	–	6,254	(1,083)	–	–	(1,083)
Life assurance fund assets	11,193	–	–	11,193	–	–	–	–
At 31 December	(80,309)	–	(1,000)	(81,309)	(114,519)	–	(3,891)	(118,410)
<b>Net carrying value, at 31 December</b>	<b>1,132,214</b>	<b>350,653</b>	<b>128,831</b>	<b>1,611,698</b>	<b>1,128,025</b>	<b>313,235</b>	<b>100,784</b>	<b>1,542,044</b>
Freehold property	339,658				337,330			
Leasehold property	792,556				790,695			
<b>Net carrying value</b>	<b>1,132,214</b>				<b>1,128,025</b>			
<b>Market value</b>	<b>2,039,516</b>				<b>1,476,291</b>			

<sup>(1)</sup> The property, plant and equipment of the Group's life assurance funds which were previously included under life assurance fund investment assets, were reclassified to be consistent with the current year's presentation.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 36. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

BANK (\$'000)	2007				2006			
	Property -related	Computer -related	Others	Total	Property -related	Computer -related	Others	Total
<b>Cost</b>								
At 1 January								
As previously reported	832,379	212,281	77,844	1,122,504	841,778	243,398	90,328	1,175,504
Effect of FRS 40 (Note 37)	(567,689)	–	–	(567,689)	(558,456)	–	–	(558,456)
As restated	264,690	212,281	77,844	554,815	283,322	243,398	90,328	617,048
Currency translation	134	4	(262)	(124)	(199)	(242)	(481)	(922)
Additions	221	57,633	12,521	70,375	48	51,291	6,413	57,752
Disposals	–	(36,939)	(4,537)	(41,476)	(1,249)	(82,166)	(18,416)	(101,831)
Transfer to:								
Subsidiary upon incorporation	(4,547)	(1,099)	(3,136)	(8,782)	–	–	–	–
Investment property (Note 37)	(1,753)	–	–	(1,753)	(17,232)	–	–	(17,232)
At 31 December	258,745	231,880	82,430	573,055	264,690	212,281	77,844	554,815
<b>Accumulated depreciation</b>								
At 1 January								
As previously reported	(101,292)	(112,660)	(64,950)	(278,902)	(92,045)	(151,618)	(64,903)	(308,566)
Effect of FRS 40 (Note 37)	58,086	–	–	58,086	49,628	–	–	49,628
As restated	(43,206)	(112,660)	(64,950)	(220,816)	(42,417)	(151,618)	(64,903)	(258,938)
Currency translation	(51)	(7)	243	185	79	73	457	609
Disposals	–	28,950	4,105	33,055	572	69,517	10,994	81,083
Depreciation charge	(4,942)	(33,016)	(5,998)	(43,956)	(5,117)	(30,632)	(11,498)	(47,247)
Transfer to:								
Subsidiary upon incorporation	2,020	837	1,482	4,339	–	–	–	–
Investment property (Note 37)	552	–	–	552	3,677	–	–	3,677
At 31 December	(45,627)	(115,896)	(65,118)	(226,641)	(43,206)	(112,660)	(64,950)	(220,816)
<b>Accumulated impairment losses (Note 33)</b>								
At 1 January								
As previously reported	(130,935)	–	–	(130,935)	(137,976)	–	–	(137,976)
Effect of FRS 40 (Note 37)	95,984	–	–	95,984	100,035	–	–	100,035
As restated	(34,951)	–	–	(34,951)	(37,941)	–	–	(37,941)
Disposals	–	–	–	–	58	–	–	58
Write-back to income statements	15,423	–	–	15,423	1,458	–	–	1,458
Transfer to investment property (Note 37)	–	–	–	–	1,474	–	–	1,474
At 31 December	(19,528)	–	–	(19,528)	(34,951)	–	–	(34,951)
<b>Net carrying value, at 31 December</b>								
	193,590	115,984	17,312	326,886	186,533	99,621	12,894	299,048
Freehold property	31,294				32,858			
Leasehold property	162,296				153,675			
<b>Net carrying value</b>	193,590				186,533			
<b>Market value</b>	308,950				253,411			

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 37. INVESTMENT PROPERTY

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cost</b>					
At 1 January – as previously reported		–	–	–	–
Effect of FRS 40	36	<b>899,961</b>	988,492	<b>567,689</b>	558,456
At 1 January – restated		<b>899,961</b>	988,492	<b>567,689</b>	558,456
Currency translation		<b>(3,098)</b>	(5,088)	<b>(689)</b>	(1,834)
Additions		<b>10,473</b>	4,035	<b>4,191</b>	7
Disposals		<b>(92,238)</b>	(66,587)	<b>(2,384)</b>	(5,367)
Transfer from/(to):					
Assets held for sale		<b>(2,294)</b>	(11,745)	<b>(2)</b>	(805)
Property, plant and equipment	36	<b>7,513</b>	(9,146)	<b>1,753</b>	17,232
Subsidiary upon incorporation		–	–	<b>(4,093)</b>	–
At 31 December		<b>820,317</b>	899,961	<b>566,465</b>	567,689
<b>Accumulated depreciation</b>					
At 1 January – as previously reported		–	–	–	–
Effect of FRS 40	36	<b>(152,071)</b>	(144,732)	<b>(58,086)</b>	(49,628)
At 1 January – restated		<b>(152,071)</b>	(144,732)	<b>(58,086)</b>	(49,628)
Currency translation		<b>281</b>	385	<b>259</b>	376
Disposals		<b>49,616</b>	2,938	<b>1,510</b>	2,417
Depreciation charge		<b>(12,199)</b>	(14,716)	<b>(7,189)</b>	(7,574)
Transfer (from)/to:					
Assets held for sale		<b>424</b>	3,557	–	–
Property, plant and equipment	36	<b>(22,138)</b>	497	<b>(552)</b>	(3,677)
Subsidiary upon incorporation		–	–	<b>1,214</b>	–
At 31 December		<b>(136,087)</b>	(152,071)	<b>(62,844)</b>	(58,086)
<b>Accumulated impairment losses</b>					
At 1 January – as previously reported	33	–	–	–	–
Effect of FRS 40	36	<b>(103,614)</b>	(106,669)	<b>(95,984)</b>	(100,035)
At 1 January – restated		<b>(103,614)</b>	(106,669)	<b>(95,984)</b>	(100,035)
Currency translation		<b>(313)</b>	(11)	<b>(277)</b>	(54)
Disposals		<b>5,763</b>	400	–	245
Write-back/(impairment charge) to income statements		<b>86,445</b>	(99)	<b>85,926</b>	5,334
Transfer (from)/to:					
Assets held for sale		<b>475</b>	1,682	–	–
Property, plant and equipment	36	<b>(6,254)</b>	1,083	–	(1,474)
At 31 December		<b>(17,498)</b>	(103,614)	<b>(10,335)</b>	(95,984)
<b>Net carrying value</b>					
Freehold property		<b>205,932</b>	234,139	<b>70,474</b>	68,988
Leasehold property		<b>460,800</b>	410,137	<b>422,812</b>	344,631
At 31 December		<b>666,732</b>	644,276	<b>493,286</b>	413,619
<b>Market value</b>					
		<b>2,448,219</b>	1,812,146	<b>1,436,090</b>	822,854



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 38. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Goodwill</b>				
At 1 January	2,699,829	2,586,257	1,867,176	1,867,176
Acquisition of additional interests in:				
GEH	–	111,659	–	–
NISP	206	132	–	–
Currency translation	(30,344)	1,781	–	–
At 31 December	2,669,691	2,699,829	1,867,176	1,867,176
<b>Intangible asset <sup>(1)</sup></b>				
At 1 January	821,120	757,298		
Acquisition of additional interests in GEH	–	107,554		
Amortisation charged to income statements	(46,391)	(43,732)		
At 31 December	774,729	821,120		
<b>Total goodwill and intangible assets</b>	<b>3,444,420</b>	<b>3,520,949</b>	<b>1,867,176</b>	<b>1,867,176</b>
<b>Analysed as follows:</b>				
Goodwill from acquisition of subsidiaries/business	2,669,691	2,699,829	1,867,176	1,867,176
Intangible asset, at cost	927,814	927,814	–	–
Accumulated amortisation for intangible asset	(153,085)	(106,694)	–	–
	<b>3,444,420</b>	<b>3,520,949</b>	<b>1,867,176</b>	<b>1,867,176</b>

Note:

<sup>(1)</sup> The value of in-force life assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2007, the intangible asset has a remaining useful life of 17 years (2006: 18 years).

#### Impairment tests for goodwill

For impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying value	
		2007 \$'000	2006 \$'000
Goodwill attributed to Banking CGU			
Consumer Banking		844,497	844,497
Business Banking		570,000	570,000
Treasury		524,000	524,000
	Value-in-use	1,938,497	1,938,497
Great Eastern Holdings Limited ("GEH")	Appraisal value	426,385	426,385
P.T. Bank NISP Tbk ("NISP")	Value-in-use	275,390	305,528
Straits Lion Asset Management Limited ("SLAM")	Value-in-use	29,419	29,419
		<b>2,669,691</b>	<b>2,699,829</b>

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. For 2007, the discount rates used ranged from 8.5% to 15% (2006: 10% to 19%). Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rates ranged from 2% to 10% (2006: 2% to 11%). The terminal growth rate for each CGU used does not exceed management's expectation of the long term average growth rate of the respective industry and country in which the CGU operates.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 38. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

The Group's insurance CGU applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 8.0% (2006: 9.0%) and 9.5% (2006: 10%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.15% – 5.25%, 4.25% and 7% (2006: 5.25%, 4.25% and 7%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.5%, 6.0% and 7.0% (2006: 7%, 6.5% and 7.5%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

### 39. SEGMENT INFORMATION

#### 39.1 Business segments

\$ million	Consumer Banking	Business Banking	Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2007</b>						
<b>Total income</b>	<b>1,209</b>	<b>1,373</b>	<b>448</b>	<b>812</b>	<b>439</b>	<b>4,281</b>
Operating profit before allowances and amortisation	649	936	313	687	16	2,601
Amortisation of intangible assets (Allowances and impairment)/write-back for loans and other assets	–	–	–	(46)	–	(46)
	(18)	62	–	(5)	(75)	(36)
<b>Operating profit/(loss) after allowances and amortisation</b>	<b>631</b>	<b>998</b>	<b>313</b>	<b>636</b>	<b>(59)</b>	<b>2,519</b>
<b>Other information:</b>						
Capital expenditure	15	7	–	84	132	238
Depreciation	8	4	–	2	90	104
<b>At 31 December 2007</b>						
Segment assets	26,586	51,075	35,039	47,727	18,767	179,194
Unallocated assets						87
Elimination						(4,674)
<b>Total assets</b>						<b>174,607</b>
Segment liabilities	39,470	43,258	24,656	41,911	11,336	160,631
Unallocated liabilities						1,811
Elimination						(4,674)
<b>Total liabilities</b>						<b>157,768</b>
<b>Other information:</b>						
Gross non-bank loans	24,928	43,715	382	252	3,498	72,775
NPLs (includes debt securities)	387	802	–	8	157	1,354

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 39. SEGMENT INFORMATION (CONTINUED)

#### 39.1 Business segments (continued)

\$ million	Consumer Banking	Business Banking	Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2006</b>						
<b>Total income</b>	1,010	1,124	261	659	786	3,840
Operating profit before allowances and amortisation	542	765	176	559	466	2,508
Amortisation of intangible assets	–	–	–	(44)	–	(44)
(Allowances and impairment)/ write-back for loans and other assets	(66)	18	–	–	46	(2)
<b>Operating profit after allowances and amortisation</b>	476	783	176	515	512	2,462
<b>Other information:</b>						
Capital expenditure	5	3	–	117	127	252
Depreciation	12	6	–	2	84	104
<b>At 31 December 2006</b>						
Segment assets	25,084	38,936	30,565	43,288	16,571	154,444
Unallocated assets						106
Elimination						(3,330)
<b>Total assets</b>						151,220
Segment liabilities	35,378	34,280	19,320	37,975	11,516	138,469
Unallocated liabilities						1,590
Elimination						(3,330)
<b>Total liabilities</b>						136,729
<b>Other information:</b>						
Gross non-bank loans	23,851	33,610	–	385	3,286	61,132
NPLs (includes debt securities)	509	1,254	–	–	66	1,829

OCBC Group is organised along four groupings covering customers, products, support functions and geography. Customer, product and support function heads have global responsibility for their respective areas, while geographic heads have stewardship responsibility. For the purpose of financial reporting of business segment results, the Group's businesses are presented under five main segments representing the key customer and product groups: Consumer Banking, Business Banking, Treasury, Insurance and Others.

#### Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

#### Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

#### Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 39. SEGMENT INFORMATION (CONTINUED)

#### 39.1 Business segments (continued)

##### Insurance

The Group's insurance business, including fund management activities, is carried out by the Bank's subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

##### Others

The "Others" segment comprise Bank NISP, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments, items not attributed to business segments, and one-time divestment gains.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:

- (a) income and expenses are attributable to each segment based on the internal management reporting policies;
- (b) in determining the segment results, balance sheet items are internally transfer priced; and
- (c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as income tax and borrowings.

#### 39.2 Geographical segments

\$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
<b>2007</b>					
Singapore	2,810	1,805	128	117,833	109,271
Malaysia	961	554	64	36,309	32,698
Other ASEAN	315	93	39	5,940	4,864
Greater China	117	40	6	7,150	6,453
Other Asia Pacific	40	23	–	3,801	2,004
Rest of the World	38	24	1	3,574	2,478
	<b>4,281</b>	<b>2,539</b>	<b>238</b>	<b>174,607</b>	<b>157,768</b>
<b>2006</b>					
Singapore	2,714	1,842	103	105,706	97,109
Malaysia	747	498	108	31,275	27,677
Other ASEAN	239	71	39	5,126	4,308
Greater China	71	21	1	4,650	3,366
Other Asia Pacific	33	21	1	1,699	1,064
Rest of the World	36	23	–	2,764	3,205
	<b>3,840</b>	<b>2,476</b>	<b>252</b>	<b>151,220</b>	<b>136,729</b>

The Group's operations are in six main geographical areas. With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated total income and total assets.

The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT

#### 40.1 Overview

The objective of the Group's risk management practice is to drive the business through an integrated proactive risk management approach with strong risk analytics, while protecting the Group against losses that could arise from taking risks beyond its risk appetite. The Group's philosophy is that all risks must be properly understood, measured, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy, to enable the Group to maximise its risk-adjusted return on capital.

The Group's risk management objectives, policies and processes are detailed in the Risk Management Section.

#### 40.2 Credit risk

##### Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk for balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For loan commitments and other credit-related commitments, the maximum exposure to credit risk is the full amount of the facilities granted to customers.

\$ million	Note	2007	2006
<b>Credit risk exposure relating to on-balance sheet assets:</b>			
Singapore government treasury bills and securities	25	8,762	8,147
Other government treasury bills and securities	25	3,446	2,195
Placements with and loans to banks	26	15,105	17,750
Loans and bills receivable	27	71,316	59,309
Debt securities	31	10,450	6,072
Trading		1,196	426
Available-for-sale		8,993	5,440
Loans and bills receivable		261	206
Amount due from associates	34	16	18
Assets pledged	44	889	1,897
Derivative receivables		2,937	2,414
Other assets, comprising interest receivables and sundry debtors	32	2,426	2,144
		<b>115,347</b>	99,946
<b>Credit risk exposure relating to off-balance sheet items:</b>			
Financial guarantees		6,385	4,707
Loan commitments and other credit-related liabilities		47,372	39,084
<b>Total maximum credit risk exposure</b>		<b>169,104</b>	143,737

As presented in the above table, the Group's maximum exposure to credit risk comprise 51% (2006: 54%) derived primarily from its lending activities to banks and customers and 13% (2006: 11%) from its investments in government and debt securities.

##### Collaterals

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities of Singapore, Malaysia and Hong Kong; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.2 Credit risk (continued)

##### Total loans and advances – Credit quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are required, under FRS 107, to be categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”. Past due loans refer to loans that are overdue by one day or more. Impaired loans are classified loans with specific allowances made.

\$ million	Bank loans		Non-Bank loans	
	2007	2006	2007	2006
Neither past due nor impaired	15,117	18,065	70,620	58,532
Past due but not impaired	–	–	1,045	902
Impaired	–	–	1,110	1,698
Gross loans	15,117	18,065	72,775	61,132
Specific allowances	–	–	(499)	(862)
Portfolio allowances	–	–	(960)	(961)
Net loans	15,117	18,065	71,316	59,309

##### Loans neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group’s internal credit grading system is as follows:

\$ million	Bank loans		Non-Bank loans	
	2007	2006	2007	2006
<b>Grades</b>				
Satisfactory and special mention	15,117	18,065	70,581	58,494
Substandard but not impaired	–	–	39	38
<b>Neither past due nor impaired</b>	<b>15,117</b>	<b>18,065</b>	<b>70,620</b>	<b>58,532</b>

##### Loans past due but not impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group’s non-bank loans which are past due but not impaired are as follows:

\$ million	2007	2006
<b>Past due</b>		
Less than 30 days	579	186
30 to 90 days	407	686
Over 90 days	59	30
<b>Past due but not impaired</b>	<b>1,045</b>	<b>902</b>

##### Impaired loans and allowances

Non-bank loans that are individually determined to be impaired as at the reporting date are as follows:

\$ million	2007	2006
<b>Business segment</b>		
Consumer Banking	339	441
Business Banking	727	1,190
Others	30	55
<b>Individually impaired loans</b>	<b>1,096</b>	<b>1,686</b>

Details on non-performing loans are set out in Note 28. The movements of specific and portfolio allowances account for loans and advances are set out in Notes 29 and 30 respectively.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.2 Credit risk (continued)

##### Renegotiated loans

Loans that would have been past due or impaired had they not been renegotiated amounted to \$55.9 million for the year ended 31 December 2007 (2006: \$49.3 million).

##### Collateral and other credit enhancements obtained

During the year, the Group obtained the following assets by taking possession of collaterals held as security, or by calling upon other credit enhancements:

\$ million	2007	2006
Properties	18	3
Others	#	25
<b>Carrying amount of assets obtained in financial year</b>	<b>18</b>	<b>28</b>

# Amount less than \$0.5 million

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

##### Credit risk concentration

Please refer to the Risk Management Section for details on management of credit concentration. Analyses of non-bank loans by industry and geographical sector are set out in Note 27. Information on the concentration risk for securities is provided in Notes 25 and 31.

##### Country risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. Cross-border transfer risk exposures of more than 1% of assets were as follows:

Exposure <sup>(1)</sup>	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
<b>2007</b>					
Malaysia	4,163	190	2,886	7,239	5.4
United Kingdom	6,485	3	323	6,811	5.1
Hong Kong SAR	2,402	–	1,026	3,428	2.6
Indonesia	1,320	121	1,715	3,156	2.4
China	2,051	1	1,021	3,073	2.3
South Korea	1,591	274	854	2,719	2.0
Australia	1,285	16	814	2,115	1.6
United States	1,060	18	791	1,869	1.4
Japan	1,020	–	502	1,522	1.1
<b>2006</b>					
Malaysia	3,901	283	1,827	6,011	5.3
United Kingdom	5,163	3	133	5,299	4.7
Hong Kong SAR	2,040	10	989	3,039	2.7
Indonesia	1,301	33	1,236	2,570	2.3
China	1,702	–	644	2,346	2.1
France	1,795	–	151	1,946	1.7
South Korea	1,242	–	164	1,406	1.2
Australia	899	–	446	1,345	1.2
Germany	1,195	24	75	1,294	1.1

<sup>(1)</sup> Assets (excluding life assurance fund investment assets) of \$133,471 million (2006: \$113,607 million).

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.3 Market risk and asset liability management (continued)

Disclosures on the Group's market risk management, and the Value-at-Risk ("VaR") summary of its trading portfolio, are in the Risk Management Section.

The Group's Asset Liability Management framework consists of three components:

- Structural interest rate risk management
- Structural foreign exchange risk management; and
- Liquidity management

The objectives, policies and processes of asset liability management are in the Risk Management Section.

#### Interest rate risk

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

\$ million	Within 1 week to 1 week	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
<b>2007</b>							
Cash and placements with central banks	1,400	1,701	2,030	646	–	–	8,396
Placements with and loans to banks	1,213	3,123	5,692	5,077	3	–	15,117
Loans and bills receivable <sup>(1)</sup>	4,612	24,481	29,372	7,916	2,937	2,898	71,316
Securities <sup>(2)</sup>	691	2,456	5,493	4,389	3,792	6,527	26,359
Other assets <sup>(3)</sup>	7	9	–	–	–	–	5,919
<b>Financial assets</b>	<b>7,923</b>	<b>31,770</b>	<b>42,587</b>	<b>18,028</b>	<b>6,732</b>	<b>9,425</b>	<b>127,123</b>
Deposits of non-bank customers	18,739	21,213	26,320	13,894	557	394	88,788
Deposits and balances of banks	7,167	3,205	3,079	1,096	179	–	14,726
Trading portfolio liabilities	1	–	–	–	94	73	172
Other liabilities <sup>(3)</sup>	3	23	26	6	–	–	6,069
Debts issued	24	540	117	–	–	4,289	4,970
<b>Financial liabilities</b>	<b>25,934</b>	<b>24,981</b>	<b>29,542</b>	<b>14,996</b>	<b>830</b>	<b>4,756</b>	<b>114,725</b>
On-balance sheet sensitivity gap	(18,011)	6,789	13,045	3,032	5,902	4,669	
Off-balance sheet sensitivity gap	(1,020)	5,799	(3,909)	(1,173)	(1,059)	1,362	
<b>Net interest sensitivity gap</b>	<b>(19,031)</b>	<b>12,588</b>	<b>9,136</b>	<b>1,859</b>	<b>4,843</b>	<b>6,031</b>	
<b>2006</b>							
Cash and placements with central banks	1,367	768	996	643	–	–	5,741
Placements with and loans to banks	1,561	2,754	5,087	8,618	15	–	18,065
Loans and bills receivable <sup>(1)</sup>	3,037	18,218	26,650	6,974	2,985	2,408	59,309
Securities <sup>(2)</sup>	164	1,513	4,025	1,945	4,292	5,762	19,219
Other assets <sup>(3)</sup>	8	9	–	–	–	–	4,941
<b>Financial assets</b>	<b>6,137</b>	<b>23,262</b>	<b>36,758</b>	<b>18,180</b>	<b>7,292</b>	<b>8,170</b>	<b>107,292</b>
Deposits of non-bank customers	17,061	17,123	21,296	12,294	465	773	75,115
Deposits and balances of banks	4,991	3,532	1,794	1,432	120	–	11,869
Trading portfolio liabilities	4	112	91	124	10	81	422
Other liabilities <sup>(3)</sup>	21	17	25	49	5	–	4,811
Debts issued	31	207	881	–	–	4,012	5,131
<b>Financial liabilities</b>	<b>22,108</b>	<b>20,991</b>	<b>24,087</b>	<b>13,899</b>	<b>600</b>	<b>4,866</b>	<b>97,348</b>
On-balance sheet sensitivity gap	(15,971)	2,271	12,671	4,281	6,692	3,304	
Off-balance sheet sensitivity gap	(1,797)	(3,491)	280	3,689	(439)	1,758	
<b>Net interest sensitivity gap</b>	<b>(17,768)</b>	<b>(1,220)</b>	<b>12,951</b>	<b>7,970</b>	<b>6,253</b>	<b>5,062</b>	

<sup>(1)</sup> The negative balance represents mainly portfolio allowances for loans.

<sup>(2)</sup> Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

<sup>(3)</sup> Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.3 Market risk and asset liability management (continued)

The main market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes. One way of expressing this sensitivity for all interest rate sensitive positions, whether marked to market or subject to amortised cost accounting, is the impact on their fair values of basis point change in interest rates.

The impact of standard scenarios of a 100bp parallel fall or rise in yield curves on the Group's exposure to major currencies, i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, on the next 12-months' net interest income is simulated to determine the maximum loss. As a percentage of reported net interest income, the maximum exposure would be -2.16% (2006: -1.91%).

The 1% rate shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Group Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Group Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

#### Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Australian Dollar, Euro, Japanese Yen, Sterling Pound and Hong Kong Dollar.

\$ million	SGD	USD	MYR	Others	Total
<b>2007</b>					
Cash and placements with central banks	4,741	53	2,315	1,287	8,396
Placements with and loans to banks	404	6,967	310	7,436	15,117
Loans and bills receivable	41,647	9,336	10,543	9,790	71,316
Securities <sup>(1)</sup>	13,836	3,762	3,378	5,383	26,359
Other assets <sup>(2)</sup>	3,633	1,717	590	(5)	5,935
<b>Financial assets</b>	<b>64,261</b>	<b>21,835</b>	<b>17,136</b>	<b>23,891</b>	<b>127,123</b>
Deposits of non-bank customers	52,873	11,473	13,633	10,809	88,788
Deposits and balances of banks	3,645	7,609	408	3,064	14,726
Trading portfolio liabilities	168	–	–	4	172
Other liabilities <sup>(2)</sup>	3,529	1,335	637	568	6,069
Debts issued	4,044	393	261	272	4,970
<b>Financial liabilities</b>	<b>64,259</b>	<b>20,810</b>	<b>14,939</b>	<b>14,717</b>	<b>114,725</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>2</b>	<b>1,025</b>	<b>2,197</b>	<b>9,174</b>	
<b>2006</b>					
Cash and placements with central banks	2,788	32	2,201	720	5,741
Placements with and loans to banks	581	12,064	579	4,841	18,065
Loans and bills receivable	35,916	7,877	8,619	6,897	59,309
Securities <sup>(1)</sup>	11,625	2,779	2,429	2,386	19,219
Other assets <sup>(2)</sup>	3,286	1,026	416	230	4,958
<b>Financial assets</b>	<b>54,196</b>	<b>23,778</b>	<b>14,244</b>	<b>15,074</b>	<b>107,292</b>
Deposits of non-bank customers	46,019	8,352	11,957	8,787	75,115
Deposits and balances of banks	2,504	6,347	264	2,754	11,869
Trading portfolio liabilities	422	–	–	–	422
Other liabilities <sup>(2)</sup>	2,104	1,581	570	556	4,811
Debts issued	3,841	951	87	252	5,131
<b>Financial liabilities</b>	<b>54,890</b>	<b>17,231</b>	<b>12,878</b>	<b>12,349</b>	<b>97,348</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>(694)</b>	<b>6,547</b>	<b>1,366</b>	<b>2,725</b>	

<sup>(1)</sup> Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

<sup>(2)</sup> Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.3 Market risk and asset liability management (continued)

##### Structural foreign exchange risk

Structural foreign exchange risks arise primarily from the Group's net investments in overseas branches, subsidiaries and associates, strategic equity investments as well as property assets. The Group uses mainly foreign currency forwards and swaps to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

\$ million	2007			2006		
	Structural currency exposure	Hedging financial instruments	Net structural currency exposure	Structural currency exposure	Hedging financial instruments	Net structural currency exposure
US Dollar	343	357	(14)	271	–	271
Malaysian Ringgit	1,059	–	1,059	940	–	940
Others	1,678	437	1,241	1,346	–	1,346
Total	3,080	794	2,286	2,557	–	2,557

##### Liquidity risk

The table below analyses the carrying value of financial assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at balance sheet date.

\$ million							Total
	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	
<b>2007</b>							
Cash and placements with central banks	3,675	1,627	1,720	956	–	418	8,396
Placements with and loans to banks	1,215	2,884	5,318	5,488	187	25	15,117
Loans and bills receivable	5,959	6,178	6,685	7,332	12,040	33,122	71,316
Securities <sup>(1)</sup>	817	1,467	2,819	4,005	5,450	11,801	26,359
Other assets <sup>(2)</sup>	1,016	1,555	927	1,447	432	558	5,935
<b>Financial assets</b>	<b>12,682</b>	<b>13,711</b>	<b>17,469</b>	<b>19,228</b>	<b>18,109</b>	<b>45,924</b>	<b>127,123</b>
Deposits of non-bank customers	40,261	20,389	11,896	12,690	2,587	965	88,788
Deposits and balances of banks	7,213	3,159	3,079	1,096	179	–	14,726
Trading portfolio liabilities	5	–	–	–	94	73	172
Other liabilities <sup>(2)</sup>	1,436	1,259	1,095	1,547	253	479	6,069
Debts issued	167	368	117	–	–	4,318	4,970
<b>Financial liabilities</b>	<b>49,082</b>	<b>25,175</b>	<b>16,187</b>	<b>15,333</b>	<b>3,113</b>	<b>5,835</b>	<b>114,725</b>
<b>Net liquidity gap – financial assets less financial liabilities</b>	<b>(36,400)</b>	<b>(11,464)</b>	<b>1,282</b>	<b>3,895</b>	<b>14,996</b>	<b>40,089</b>	

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### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.3 Market risk and asset liability management (continued)

\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<b>2006</b>							
Cash and placements with central banks	2,966	758	997	643	–	377	5,741
Placements with and loans to banks	1,582	2,645	4,820	8,845	173	–	18,065
Loans to customers	5,510	4,130	4,332	6,364	10,881	28,092	59,309
Securities <sup>(1)</sup>	372	1,008	2,761	1,562	5,566	7,950	19,219
Other assets <sup>(2)</sup>	904	1,528	795	1,372	232	127	4,958
<b>Financial assets</b>	<b>11,334</b>	<b>10,069</b>	<b>13,705</b>	<b>18,786</b>	<b>16,852</b>	<b>36,546</b>	<b>107,292</b>
Deposits of non-bank customers	34,880	16,245	8,949	11,027	1,802	2,212	75,115
Deposits and balances of banks	4,991	3,532	1,794	1,433	119	–	11,869
Trading portfolio liabilities	4	112	91	124	10	81	422
Other liabilities <sup>(2)</sup>	1,245	1,232	852	1,238	189	55	4,811
Debts issued	–	207	115	766	–	4,043	5,131
<b>Financial liabilities</b>	<b>41,120</b>	<b>21,328</b>	<b>11,801</b>	<b>14,588</b>	<b>2,120</b>	<b>6,391</b>	<b>97,348</b>
<b>Net liquidity gap – financial assets less financial liabilities</b>	<b>(29,786)</b>	<b>(11,259)</b>	<b>1,904</b>	<b>4,198</b>	<b>14,732</b>	<b>30,155</b>	

<sup>(1)</sup> Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

<sup>(2)</sup> Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

#### Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities. Information on cash outflow of gross loan commitments is set out in Note 43. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 18) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<b>2007</b>							
Deposits of non-bank customers <sup>(1)</sup>	40,290	20,519	12,022	13,016	2,724	1,029	89,600
Deposits and balances of banks <sup>(1)</sup>	7,216	3,178	3,123	1,119	189	–	14,825
Trading portfolio liabilities	172	–	–	–	–	–	172
Other liabilities <sup>(2)</sup>	1,256	365	256	167	223	411	2,678
Debts issued	167	369	211	178	546	4,567	6,038
Net settled derivatives							
Trading	202	62	136	332	416	253	1,401
Hedging	–	(1)	–	10	21	5	35
Gross settled derivatives							
Trading – Outflow	15,748	18,531	33,044	24,571	204	658	92,756
Trading – Inflow	(15,817)	(18,632)	(33,112)	(24,611)	(194)	(686)	(93,052)
Hedging – Outflow	1,673	513	343	481	246	3,066	6,322
Hedging – Inflow	(1,680)	(517)	(342)	(533)	(317)	(2,840)	(6,229)
	<b>49,227</b>	<b>24,387</b>	<b>15,681</b>	<b>14,730</b>	<b>4,058</b>	<b>6,463</b>	<b>114,546</b>

## Notes to the Financial Statements

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### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.3 Market risk and asset liability management (continued)

\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<b>2006</b>							
Deposits of non-bank customers <sup>(1)</sup>	34,911	16,350	9,051	11,367	2,020	2,358	76,057
Deposits and balances of banks <sup>(1)</sup>	4,994	3,567	1,825	1,479	135	–	12,000
Trading portfolio liabilities	422	–	–	–	–	–	422
Other liabilities <sup>(2)</sup>	1,113	443	152	182	129	18	2,037
Debts issued	–	208	225	941	526	4,485	6,385
Net settled derivatives							
Trading	231	73	159	213	364	251	1,291
Hedging	–	(1)	2	3	11	5	20
Gross settled derivatives							
Trading – Outflow	10,008	8,821	10,527	14,498	383	396	44,633
Trading – Inflow	(10,013)	(8,904)	(10,643)	(14,582)	(352)	(415)	(44,909)
Hedging – Outflow	–	–	83	943	274	3,214	4,514
Hedging – Inflow	–	–	(79)	(903)	(372)	(3,124)	(4,478)
	41,666	20,557	11,302	14,141	3,118	7,188	97,972

<sup>(1)</sup> Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.

<sup>(2)</sup> Other liabilities include amount due to associates.

#### 40.4 Other risk areas

Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

#### 40.5 Insurance-related risk management

This note sets out the risk management information of GEH Group.

##### Governance framework

The underlying premise of GEH Group's Enterprise Risk Management ("ERM") Framework is that the Group exists to provide value for its stakeholders, and in growing stakeholder value, GEH Group will need to undertake risks. The challenge is to strike an optimal balance between building controls to protect against risks while not jeopardising the Group's resilience and competitiveness. Risk management is considered an integral part of managing GEH Group's core business and the ERM Framework is designed to identify potential events that may affect the Group, and to manage risks within approved risk appetite and to provide reasonable assurance regarding the achievement of the Group's objectives.

The risk management policies described are generally adopted by GEH and its subsidiaries. However, certain deviations and modifications exist to comply with specific regulations of the respective country jurisdiction in which the subsidiary operates. Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Risk Committee ("RiC") was constituted to provide oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by GEH Group Management Committees comprising the Chief Executive Officer and key senior management executives of its key operating subsidiaries, namely: Group Management Team ("GMT") and Group Asset-Liability Committee ("Group ALC").

GMT is responsible for formulating the Group's corporate vision, mission, core values, financial goals, business portfolio mix and risk profile. It also reviews and monitors the execution of the Group's corporate strategy and oversees the development and deployment of resources for growth in markets in which the Group operates. In addition, GMT is responsible for the oversight of operational risks faced by the Group, including the monitoring of related limits and policies such as underwriting limits and business continuity plans. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC") at the key operating subsidiaries. The SMTs oversee business and operational risks at the local level while the PDCs oversee the product development and launch process.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

Group ALC is responsible for managing the Group's balance sheet, including the insurance, market and credit risks faced by the Group. This includes the formulation of the group wide investment strategy, asset mix and group level risk policies such as the risk and capital management policy, asset-liability management policy and credit policy. Group ALC is supported by the local Asset-Liability Committee ("ALC") at the key operating subsidiaries, which is in turn supported by sub-committees focusing on each asset class such as Credit Risk Committee ("CRC") and Alternative Investment Committee.

##### **Regulatory framework**

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board") of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

##### **Risk and capital management framework**

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with optimum buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The management of capital and risk is guided by the GEH Risk and Capital Management Framework, known as RK20.12, where R stands for risk, K stands for capital, and 20 and 12 represent the 20 business and operational risks and 12 financial risks which the framework covers. RK20.12 comprises two distinct components, namely the risk measurement model for financial risks and the control self assessment process for business and operational risks. The risk measurement model strives to achieve the dual objectives of consistency and measurements/parameters based on economic factors. The model defines risk using the Value-at-Risk measure calibrated to the 99.5th percentile confidence level over a one-year horizon. The control self assessment is a systematic process by which individual business unit analyses its own business processes methodically to identify the strengths and weaknesses of its risk control environment that could have a potential impact on its ability to achieve the Group's business objectives. Together, the two components of RK20.12 provide a disciplined risk management framework that guides the Group in the achievement of its goals and objectives through active asset and liability management, as well as strategic and tactical risk and capital allocations.

##### **Regulatory capital**

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed in the Insurance Regulations of the jurisdiction in which the subsidiary operates.

In Singapore, the minimum capital requirement under the Risk-based Capital Framework regulated by the Monetary Authority of Singapore is 120% for each insurance entity. The capital requirements included capital residing in the participating fund which is not fungible. Regulated capital of the consolidated Singapore insurance subsidiaries as at 31 December 2007 comprised available capital of \$7.45 billion (2006: \$6.60 billion), risk capital of \$2.92 billion (2006: \$2.71 billion) and capital adequacy ratio 255% (2006: 246%).

In Malaysia and other subsidiaries, margins of solvency are prescribed. Assets are not marked to market under this regime. A proxy for measurement of financial soundness and strength is the ratio of fund surplus computed under margin of solvency rules over the long term actuarial liabilities whose valuation are prescribed by the insurance regulations. In Malaysia, the ratio on marked to market basis was 36% as at 31 December 2007 (2006: 32%) based on actuarial liability reserve of \$10.9 billion (2006: \$9.8 billion).

##### **Dividend**

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

##### **Financial risk management**

The principal activities of GEH Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness and personal accident), property and casualty. Risks inherent in the Group's activities include but are not limited to the following:

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### Insurance risk

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claim experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of risks include policy lapses and policy claims such as mortality, morbidity and expenses.

The Group works closely with reinsurers to put in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Group's reinsurance management strategy and policy is reviewed annually by RiC and SMT. Retention limits for mortality risk per life are set up to \$700,000 in Singapore and MYR350,000 in Malaysia. Retention limits for critical illness per life are set up to \$400,000 in Singapore and MYR250,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. The Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

SMT reviews trends and claims experience for insurance risks along with the lapse and surrender experience to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of the Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

Stress Testing ("ST") is performed annually by the Appointed Actuary ("AA"), for endorsement by the Board. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

Gross Premium Valuation ("GPV") is also carried out annually by the AA. GPV assesses the adequacy of the projected inflows of premiums and investment income vis-à-vis the long-term benefits due to policyholders including but not limited to reversionary bonuses, terminal (or maturity) bonuses and guaranteed returns (for non-participating products/policy benefits) for the in-force block of business. GPV is submitted to the Board for approval and it provides the basis for the annual declaration of bonus to policyholders for vesting to the respective insurance policies and declaration of profits to shareholders through the income statement.

For investment-linked funds, the risk exposure for the Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

**Table 40.5(A): Exposure of life assurance risks**

Concentration of insurance risk \$ million	2007		2006	
	Singapore	Malaysia	Singapore	Malaysia
Gross sum at risk	<b>92,722</b>	<b>72,208</b>	89,950	65,723
Reinsurance ceded	<b>13,737</b>	<b>21,844</b>	6,702	17,044
Net sum at risk	<b>78,985</b>	<b>50,364</b>	83,248	48,679

Sensitivity analyses produced below are based on parameters set out as follows:

(a) Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b) Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c) Scenario 3 – Health and Disability	+ 25% for all future years
(d) Scenario 4 – Health and Disability	– 25% for all future years
(e) Scenario 5 – Lapse and Surrender	+ 25% for all future years
(f) Scenario 6 – Lapse and Surrender	– 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

**Table 40.5(B1): Profit after tax sensitivity for the Singapore segment  
Impact on 1-year's profit after tax**

\$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
<b>2007</b>							
Gross impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)
<b>2006</b>							
Gross impact	1.4	(56.1)	48.1	(60.9)	22.7	(31.7)	(19.3)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	1.4	(56.1)	48.1	(60.9)	22.7	(31.7)	(19.3)

**Table 40.5(B2): Profit after tax sensitivity for the Malaysia segment  
Impact on 1-year's profit after tax**

\$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
<b>2007 and 2006</b>							
Gross impact	–	–	–	–	–	–	–
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	–	–	–	–	–	–	–

The impact on profit and loss after tax above does not take into account of changes in other variables. Impact of interest rate on liability is tested concurrently with assets and impact of other variables is considered to be not material. Such assessment and the relative materiality of individual variables may change in the future.

The sensitivity testing on the Malaysia segment was performed by applying the sensitivities to the best estimate assumptions used in the liabilities adequacy test. The resulting reserves from the liabilities adequacy test were compared to the minimum policy liabilities prescribed by regulator and any shortfall would be charged to the income statement. The liabilities adequacy test reserves derived under all scenarios were lower than the minimum policy liabilities prescribed by the regulator; therefore there was no impact on profits for the year.

The effect of sensitivity analyses on reinsurance ceded for the Singapore and Malaysia segments are not material.

#### Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Change in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

The Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the asset and liability of the Insurance Funds. As for the funds managed by its asset management subsidiary, Lion Capital Management Limited, investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

Group ALC and local ALCs actively manage market risk through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates, volatility in equity prices, as well as other risks like credit and liquidity risks are briefly described below.

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For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (a) Interest rate risk (including asset liability mismatch)

The Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets. With the use of the Long Term Risk Free Discount Rate ("LTRFDR") formulated under the Singapore regulations governed by MAS to discount liability cash flows with duration of more than 15 years, the Singapore non-participating funds could have negative earnings impact when the LTRFDR decrease. The management of asset liability mismatch is guided by the Asset-Liability Management Framework.

The table below shows the interest rate exposure of GEH Group's financial assets and liabilities.

\$ million	Fixed rate	Floating rate	Non-interest sensitive	Total
<b>2007</b>				
Equities and collective investments	–	–	12,485	12,485
Quoted government securities, loan stocks and bonds	13,281	1,514	–	14,795
Other unquoted investments	6,767	613	–	7,380
Derivatives and embedded derivatives	–	–	1,400	1,400
Loans (net of allowances)	562	806	–	1,368
Policy loans	2,101	–	–	2,101
Reinsurance assets	–	–	79	79
Outstanding premiums	–	–	169	169
Other debtors and interfund balances	–	–	1,366	1,366
Cash and cash equivalents	2,768	–	–	2,768
<b>Financial assets</b>	<b>25,479</b>	<b>2,933</b>	<b>15,499</b>	<b>43,911</b>
Other creditors and interfund balances	–	–	1,444	1,444
Reinsurance liabilities	–	–	68	68
Unexpired risk reserve	–	–	60	60
Policy benefits	1,645	–	–	1,645
Claims admitted or intimated	–	–	165	165
Agents' retirement benefits	–	–	184	184
General insurance fund contract liabilities	–	–	101	101
Life assurance fund contract liabilities	10,798	2,812	19,232	32,842
<b>Financial liabilities</b>	<b>12,443</b>	<b>2,812</b>	<b>21,254</b>	<b>36,509</b>
<b>2006</b>				
Equities and collective investments	–	–	10,600	10,600
Quoted government securities, loan stocks and bonds	12,585	1,366	–	13,951
Other unquoted investments	5,614	572	–	6,186
Derivatives and embedded derivatives	–	–	1,331	1,331
Loans (net of allowances)	707	227	–	934
Policy loans	2,044	–	–	2,044
Reinsurance assets	–	–	57	57
Outstanding premiums	–	–	154	154
Other debtors and interfund balances	–	–	878	878
Cash and cash equivalents	3,824	–	–	3,824
<b>Financial assets</b>	<b>24,774</b>	<b>2,165</b>	<b>13,020</b>	<b>39,959</b>



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (a) Interest rate risk (including asset liability mismatch) (continued)

\$ million	Fixed rate	Floating rate	Non-interest sensitive	Total
<b>2006</b>				
Other creditors and interfund balances	–	–	997	997
Reinsurance liabilities	–	–	50	50
Unexpired risk reserve	–	–	56	56
Policy benefits	1,475	–	–	1,475
Claims admitted or intimated	–	–	149	149
Agents' retirement benefits	–	–	168	168
General insurance fund contract liabilities	–	–	83	83
Life assurance fund contract liabilities	9,781	2,759	18,338	30,878
<b>Financial liabilities</b>	<b>11,256</b>	<b>2,759</b>	<b>19,841</b>	<b>33,856</b>

##### (b) Foreign currency risk

Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposures ranging from 15% to 35% are applied to investments in fixed income portfolios at fund level. Currency risk of investments in foreign equities is generally not hedged.

The Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major item for the Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia. The Group does not hedge against this exposure.

The table below shows the foreign exchange position of GEH Group by major currencies:

\$ million	SGD	MYR	USD	Others	Total
<b>2007</b>					
Equities and collective investments	3,650	3,764	2,001	3,070	12,485
Quoted government securities, loan stocks and bonds	7,918	3,918	1,854	1,105	14,795
Other unquoted investments	1,572	5,383	287	138	7,380
Derivatives and embedded derivatives	3,947	40	(1,914)	(673)	1,400
Loans (net of allowances)	946	420	–	2	1,368
Policy loans	860	1,240	–	1	2,101
Reinsurance assets	41	38	–	#	79
Outstanding premiums	79	90	–	#	169
Other debtors and interfund balances	970	396	–	#	1,366
Cash and cash equivalents	1,589	853	205	121	2,768
<b>Financial assets</b>	<b>21,572</b>	<b>16,142</b>	<b>2,433</b>	<b>3,764</b>	<b>43,911</b>
Other creditors and interfund balances	992	451	–	1	1,444
Reinsurance liabilities	33	35	–	#	68
Unexpired risk reserve	27	33	–	–	60
Policy benefits	792	853	–	#	1,645
Claims admitted or intimated	45	119	–	1	165
Agents' retirement benefits	2	182	–	–	184
General insurance fund contract liabilities	39	62	–	–	101
Life assurance fund contract liabilities	21,642	10,798	140	262	32,842
<b>Financial liabilities</b>	<b>23,572</b>	<b>12,533</b>	<b>140</b>	<b>264</b>	<b>36,509</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (b) Foreign currency risk (continued)

\$ million	SGD	MYR	USD	Others	Total
<b>2006</b>					
Equities and collective investments	2,665	3,410	1,426	3,099	10,600
Quoted government securities, loan stocks and bonds	7,557	3,665	1,563	1,166	13,951
Other unquoted investments	1,437	4,274	306	169	6,186
Derivatives and embedded derivatives	3,544	16	(1,521)	(708)	1,331
Loans (net of allowances)	474	460	–	–	934
Policy loans	876	1,168	–	#	2,044
Reinsurance assets	23	34	–	–	57
Outstanding premiums	65	89	–	#	154
Other debtors and interfund balances	555	321	–	2	878
Cash and cash equivalents	3,113	500	125	86	3,824
<b>Financial assets</b>	<b>20,309</b>	<b>13,937</b>	<b>1,899</b>	<b>3,814</b>	<b>39,959</b>
Other creditors and interfund balances	739	258	–	#	997
Reinsurance liabilities	26	24	–	#	50
Unexpired risk reserve	24	32	–	–	56
Policy benefits	741	734	–	#	1,475
Claims admitted or intimated	58	91	–	#	149
Agents' retirement benefits	1	167	–	–	168
General insurance fund contract liabilities	28	55	–	–	83
Life assurance fund contract liabilities	20,653	9,781	234	210	30,878
<b>Financial liabilities</b>	<b>22,270</b>	<b>11,142</b>	<b>234</b>	<b>210</b>	<b>33,856</b>

# Amount less than \$0.5 million

##### (c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Group, through investments in both Shareholders' Funds and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. A robust monitoring process is in place to manage equity price risk by activating appropriate hedging and risk transfer strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

##### (d) Alternative investment risk

The Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risk. This process and the acquisition or divestment of alternative investments is reviewed and approved by the appropriate committee based on an authority matrix approved by the Board of Directors.

##### (e) Commodity risk

The Group does not have a direct or significant exposure to commodity risk.

##### (f) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations at reasonable cost when required to do so. This typically happens when the investments in the portfolio is illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (f) Cash flow and liquidity risk (continued)

in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

The following tables show the cash flows of GEH Group's liabilities and expected recovery or settlement of its assets:

\$ million	Less than 1 year	1 to 5 years	Over 5 years	Unit- linked	Total
<b>2007</b>					
Income tax	259	–	–	–	259
Other creditors and interfund balances	972	76	396	–	1,444
Reinsurance liabilities	28	35	5	–	68
Unexpired risk reserve	54	6	–	–	60
Policy benefits	1,626	15	4	–	1,645
Claims admitted or intimated	163	2	#	–	165
Agents' retirement benefits	34	148	2	–	184
Deferred tax	–	284	735	–	1,019
General insurance fund contract liabilities	91	10	–	–	101
Life assurance fund contract liabilities	1,788	5,146	22,150	3,758	32,842
	5,015	5,722	23,292	3,758	37,787

\$ million	Current *	Non-current	Unit-linked	Total
<b>2007</b>				
Cash and cash equivalents	2,500	–	268	2,768
Other debtors and interfund balances	893	438	35	1,366
Outstanding premiums	168	1	–	169
Reinsurance assets	53	26	–	79
Loans (net of allowances), including policy loans	967	2,502	–	3,469
Investments, including derivative instruments	12,261	20,190	3,609	36,060
Associates and joint ventures	–	582	–	582
Goodwill	–	25	–	25
Property, plant and equipment	–	819	–	819
Investment properties	–	1,178	–	1,178
	16,842	25,761	3,912	46,515

\* Expected recovery or settlement within 12 months from the balance sheet date

# Amount less than \$0.5 million

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (f) Cash flow and liquidity risk (continued)

\$ million	Less than 1 year	1 to 5 years	Over 5 years	Unit- linked	Total
<b>2006</b>					
Income tax	219	–	–	–	219
Other creditors and interfund balances	737	260	(#)	–	997
Reinsurance liabilities	25	23	2	–	50
Unexpired risk reserve	50	6	–	–	56
Policy benefits	378	1,095	2	–	1,475
Claims admitted or intimated	58	91	#	–	149
Agents' retirement benefits	–	167	1	–	168
Deferred tax	–	222	612	–	834
General insurance fund contract liabilities	75	8	–	–	83
Life assurance fund contract liabilities	1,884	5,336	20,798	2,860	30,878
	3,426	7,208	21,415	2,860	34,909

\$ million	Current*	Non-current	Unit-linked	Total
<b>2006</b>				
Cash and cash equivalents	3,676	–	148	3,824
Other debtors and interfund balances	810	27	41	878
Outstanding premiums	154	#	–	154
Reinsurance assets	32	25	–	57
Loans (net of allowances), including policy loans	2,112	866	–	2,978
Investments, including derivative instruments	9,903	19,363	2,802	32,068
Associates and joint ventures	–	588	–	588
Goodwill	–	25	–	25
Property, plant and equipment	–	813	–	813
Investment properties	–	641	–	641
	16,687	22,348	2,991	42,026

\* Expected recovery or settlement within 12 months from the balance sheet date

# Amount less than \$0.5 million

Derivative financial instruments used by GEH Group for managing interest rate, currency and equity risk exposures were as follows:

\$ million	2007			2006		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange						
Forwards	2,860	26	#	2,963	12	9
Currency swaps	1,020	112	–	800	43	–
Interest rate						
Swaps	1,968	6	21	584	2	3
Swaptions and options	9	#	#	3	#	#
Exchange traded futures	1,091	3	2	1,405	1	2
Equity						
Futures	141	1	#	5	#	#
OTC options	25	3	–	25	3	–
	7,114	151	23	5,785	61	14

# Amount less than \$0.5 million

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (g) Credit risk

GEH Group is exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spread or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local CRCs which in turn report to the local ALCs. Group wide credit risk is managed by Group ALC. GEH Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. The limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value of 70% predominantly. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. The fair value of collaterals, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

\$ million	2007		2006	
	Carrying value of loans	Fair value of collaterals	Carrying value of loans	Fair value of collaterals
<b>Type of collaterals</b>				
Policy loans – Cash value of policies	2,101	4,221	2,044	4,069
Secured loans				
Properties	1,044	2,588	801	2,070
Shares	215	520	23	77
Bankers' guarantees	34	34	82	87
Others	4	7	1	1
	<b>3,398</b>	<b>7,370</b>	2,951	6,304

Investments lent and collaterals received under securities lending arrangement amounted to \$529.0 million and \$546.9 million respectively as at 31 December 2007 (2006: \$660.5 million and \$682.8 million respectively). As at balance sheet date, investments of \$15.4 million (2006: Nil) was placed as collateral for currency hedging purposes.

The table below shows the maximum exposure to credit risk for the components of the balance sheet of GEH Group. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum exposure that could arise in the future as a result of the change in value. The table also provides information regarding the credit risk exposure of GEH Group by classifying assets according to the Group's credit ratings of counterparties.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (g) Credit risk (continued)

\$ million	Neither past due nor impaired			Unit linked /not subject to credit risk	Past due or impaired	Total
	@Investment grade	@Non- investment grade	Non- rated			
	(AAA – BBB)	(BB – C)				
<b>2007</b>						
Equities and collective investments	–	–	–	12,485	–	12,485
Quoted government securities, loan stocks and bonds	13,159	151	866	619	–	14,795
Other unquoted investments	6,456	13	911	–	–	7,380
Derivatives and embedded derivatives	466	22	440	472	–	1,400
Loans (net of allowances)	–	–	1,368	–	–	1,368
Policy loans	–	–	2,101	–	–	2,101
Reinsurance assets	–	–	39	–	40	79
Outstanding premiums	–	–	91	–	78	169
Other debtors and interfund balances	–	–	1,231	35	100	1,366
Cash and cash equivalents	2,489	3	8	268	–	2,768
<b>Financial assets</b>	<b>22,570</b>	<b>189</b>	<b>7,055</b>	<b>13,879</b>	<b>218</b>	<b>43,911</b>
<b>2006</b>						
Equities and collective investments	–	–	–	10,600	–	10,600
Quoted government securities, loan stocks and bonds	12,038	134	1,222	557	–	13,951
Other unquoted investments	4,920	11	1,255	–	–	6,186
Derivatives and embedded derivatives	421	18	482	410	–	1,331
Loans (net of allowances)	–	–	933	–	1	934
Policy loans	–	–	2,044	–	–	2,044
Reinsurance assets	–	–	34	–	23	57
Outstanding premiums	–	–	95	–	59	154
Other debtors and interfund balances	–	–	835	41	2	878
Cash and cash equivalents	3,626	4	46	148	–	3,824
<b>Financial assets</b>	<b>21,005</b>	<b>167</b>	<b>6,946</b>	<b>11,756</b>	<b>85</b>	<b>39,959</b>

@ Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

Ageing analysis of financial assets past due:

\$ million	Past due but not impaired			Total	Past due and impaired	Total
	Less than 6 months	6 to 12 months	Over 12 months			
<b>2007</b>						
Loans (net of allowances)	–	–	–	–	–	–
Reinsurance assets	14	–	26	40	–	40
Outstanding premiums	77	1	1	79	–	79
Other debtors and interfund balances	39	59	1	99	–	99
<b>Total</b>	<b>130</b>	<b>60</b>	<b>28</b>	<b>218</b>	<b>–</b>	<b>218</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### (g) Credit risk (continued)

\$ million	Past due but not impaired			Total	Past due and impaired	Total
	Less than 6 months	6 to 12 months	Over 12 months			
<b>2006</b>						
Loans (net of allowances)	–	–	–	–	1	1
Reinsurance assets	#	–	23	23	–	23
Outstanding premiums	57	2	#	59	–	59
Other debtors and interfund balances	#	2	#	2	–	2
<b>Total</b>	<b>57</b>	<b>4</b>	<b>23</b>	<b>84</b>	<b>1</b>	<b>85</b>

# Amount less than \$0.5 million

##### (h) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

##### Market risk sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuations of insurance contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in shareholders' funds.

Impact on: \$ million	Profit after tax		Equity	
	2007	2006	2007	2006
Change in variables:				
Equity				
+20%	<b>24.8</b>	31.4	<b>157.4</b>	107.6
-20%	<b>(24.8)</b>	(31.4)	<b>(157.4)</b>	(107.6)
Alternative investments <sup>(1)</sup>				
+10%	<b>8.7</b>	4.6	<b>20.8</b>	15.1
-10%	<b>(8.7)</b>	(4.6)	<b>(20.8)</b>	(15.1)
Foreign currency				
+5%	<b>15.4</b>	9.7	<b>31.6</b>	22.1
-5%	<b>(15.4)</b>	(9.7)	<b>(31.6)</b>	(22.1)
Interest rate				
Yield curve +100 basis points, LTRFDR <sup>(2)</sup> +10 basis points	<b>(63.5)</b>	(32.0)	<b>(93.6)</b>	(52.2)
Yield curve – 100 basis points, LTRFDR <sup>(2)</sup> -10 basis points	<b>60.6</b>	28.8	<b>90.8</b>	48.9

<sup>(1)</sup> Alternative investments comprise investments in private equity, real estate and hedge funds.

<sup>(2)</sup> LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 40.5 Insurance-related risk management (continued)

##### Business and operational risk

Based on GEH Group's ERM Framework, business and operational risks have been grouped into five main categories:

- (a) Business risk includes failure of business strategy, failure of product design, development and pricing strategy, failure of marketing and communication strategy, and market misconduct.
- (b) Operational risk – external events includes changes in regulatory requirements, liability and legal disputes, fraud, business interruption, failure of outsourced service providers and vendors, and damage to property and environment.
- (c) Operational risk – processes includes failure of control processes and procedures, expense and cost overrun, and project failure.
- (d) Operational risk – systems includes failure of systems availability, capacity, utilisation and information technology infrastructure and failure of systems security.
- (e) Operational risk – people includes lagging customer service quality, lack of core competencies, lack of succession of key positions and fiduciary risk.

The day-to-day management of business and operational risk is through the maintenance of a comprehensive system of internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT reviews business and operational issues on a group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. The Internal Audit team reviews the system of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee of GEH Group.

### 41. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The following table summarises the carrying amounts and fair values of financial instruments of the Group.

\$ million	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Non-bank customer deposits	88,847	88,991	75,235	75,389
Debts issued	4,971	5,158	5,131	5,344

##### Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities (Note 25) and debt and equity securities (Note 31) are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

##### Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.



## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 42. CONTINGENT LIABILITIES

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn on customers. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Acceptances and endorsements	917,413	936,861	169,643	166,481
Guarantees and standby letters of credit	6,385,351	4,707,125	5,962,627	4,179,984
Documentary credits and other short term trade-related transactions	1,514,456	1,141,748	1,005,087	807,240
Others	43,922	33,434	–	–
	<b>8,861,142</b>	6,819,168	<b>7,137,357</b>	5,153,705
<b>42.1 Analysed by industry</b>				
Agriculture, mining and quarrying	152,996	67,628	37,376	37,531
Manufacturing	2,335,804	1,593,831	1,511,658	825,755
Building and construction	1,946,472	1,133,801	1,351,587	975,027
General commerce	1,927,195	1,600,540	1,395,682	1,136,157
Transport, storage and communication	279,589	367,151	247,011	297,395
Financial institutions, investment and holding companies	1,090,790	1,048,745	1,398,969	1,010,849
Professionals and individuals	105,994	104,958	81,424	79,128
Others	1,022,302	902,514	1,113,650	791,863
	<b>8,861,142</b>	6,819,168	<b>7,137,357</b>	5,153,705
<b>42.2 Analysed by geographical sector</b>				
Singapore	5,258,131	4,454,227	5,535,836	4,436,144
Malaysia	1,564,255	1,416,167	554,065	114,200
Other ASEAN	867,557	380,464	60,493	34,925
Greater China	690,272	388,615	505,918	388,615
Other Asia Pacific	142,310	86,068	142,311	86,068
Rest of the World	338,617	93,627	338,734	93,753
	<b>8,861,142</b>	6,819,168	<b>7,137,357</b>	5,153,705

Contingent liabilities analysed by geographical sector is based on the country where the transactions are recorded.

### 43. COMMITMENTS

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group subject to notice requirements.

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>43.1 Credit commitments</b>				
Undrawn credit facilities:				
Original term to maturity of one year or less	31,400,955	28,112,683	26,640,858	25,076,740
Original term to maturity of more than one year	12,112,927	8,215,719	8,153,314	5,468,038
	<b>43,513,882</b>	36,328,402	<b>34,794,172</b>	30,544,778
Undrawn note issuance and revolving underwriting facilities	49,455	42,522	16,416	16,416
Forward deposits and assets purchase/sale	1,333,351	601,493	1,375,294	648,407
	<b>44,896,688</b>	36,972,417	<b>36,185,882</b>	31,209,601

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 43. COMMITMENTS (CONTINUED)

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>43.2 Other commitments</b>				
Operating lease (non-cancellable) commitments:				
Within 1 year	17,238	11,862	11,625	12,283
After 1 year but within 5 years	22,142	11,444	15,331	10,393
Over 5 years	4,266	4	4,266	4
	<b>43,646</b>	23,310	<b>31,222</b>	22,680
Capital commitment authorised and contracted	110,427	80,261	62,635	34,974
	<b>154,073</b>	103,571	<b>93,857</b>	57,654
<b>43.3 Total commitments</b>	<b>45,050,761</b>	37,075,988	<b>36,279,739</b>	31,267,255
<b>43.4 Analysed by geographical sector</b>				
Singapore	33,293,425	28,214,584	33,108,121	28,394,840
Malaysia	7,486,523	6,207,174	103,233	391,135
Other ASEAN	1,129,103	835,921	389,688	127,827
Greater China	1,365,625	1,098,108	899,824	1,103,793
Other Asia Pacific	949,258	4,432	952,046	533,891
Rest of the World	826,827	715,769	826,827	715,769
	<b>45,050,761</b>	37,075,988	<b>36,279,739</b>	31,267,255

### 44. ASSETS PLEDGED

	Note	GROUP		BANK	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Government treasury bills and securities	25				
Singapore		519,178	491,756	519,178	491,756
Others		7,251	779,224	7,251	3,784
Placements with and loans to banks	26	362,225	577,583	362,225	28,231
Debt and equity securities	31	–	48,016	–	–
		<b>888,654</b>	1,896,579	<b>888,654</b>	523,771
Repo balances for assets pledged		<b>877,585</b>	1,838,927	<b>877,585</b>	500,762

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is \$575.3 million (2006: \$116.2 million).

The fair value of financial assets accepted as collateral that have been sold or re-pledged is \$224.0 million (2006: \$19.9 million). The Group is obliged to return equivalent assets.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

### 45. ASSETS HELD FOR SALE

Assets held for sale comprise properties which the Group is disposing, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the current financial year.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 46. MINIMUM LEASE RENTAL RECEIVABLE

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	GROUP		BANK	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within 1 year	<b>71,334</b>	38,745	<b>18,174</b>	12,534
After 1 year but within 5 years	<b>87,462</b>	49,803	<b>13,835</b>	9,784
Over 5 years	–	1,520	–	–
	<b>158,796</b>	90,068	<b>32,009</b>	22,318

### 47. RELATED PARTY TRANSACTIONS

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

#### 47.1 Related party balances at balance sheet date and transactions during the financial year were as follows:

GROUP (\$ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2007	18	188	4	–
Net (decrease)/increase	(2)	(100)	4	–
At 31 December 2007	<b>16</b>	<b>88</b>	<b>8</b>	–
(b) Deposits, borrowings and other payables				
At 1 January 2007	120	351	12	662
Net (decrease)/increase	(60)	18	4	438
At 31 December 2007	<b>60</b>	<b>369</b>	<b>16</b>	<b>1,100</b>
(c) Off-balance sheet credit facilities <sup>(1)</sup>				
At 1 January 2007	–	107	–	–
Net (decrease)/increase	–	(37)	–	–
At 31 December 2007	–	<b>70</b>	–	–
(d) Income statement transactions				
Year ended 31 December 2007:				
Interest income	<b>1</b>	<b>4</b>	<b>#</b>	<b>#</b>
Interest expense	<b>1</b>	<b>7</b>	<b>#</b>	<b>18</b>
Rental income	<b>#</b>	<b>1</b>	<b>–</b>	<b>#</b>
Fee and commission and other income	<b>3</b>	<b>1</b>	<b>#</b>	<b>52</b>
Rental and other expenses	<b>8</b>	<b>#</b>	<b>#</b>	<b>7</b>
Year ended 31 December 2006:				
Interest income	1	5	#	–
Interest expense	1	5	#	20
Rental income	#	1	–	#
Fee and commission and other income	2	1	#	51
Rental and other expenses	6	#	#	1

Note:

<sup>(1)</sup> Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies.

# Amount less than \$0.5 million.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 47. RELATED PARTY TRANSACTIONS (CONTINUED)

<b>BANK (\$ million)</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Directors</b>	<b>Key management</b>	<b>Life assurance fund</b>
<b>(a) Loans, placements and other receivables</b>					
At 1 January 2007	1,516	–	188	4	–
Net (decrease)/increase	1,229	–	(100)	4	–
At 31 December 2007	<b>2,745</b>	<b>–</b>	<b>88</b>	<b>8</b>	<b>–</b>
<b>(b) Deposits, borrowings and other payables</b>					
At 1 January 2007	1,483	3	338	11	555
Net (decrease)/increase	106	44	18	5	124
At 31 December 2007	<b>1,589</b>	<b>47</b>	<b>356</b>	<b>16</b>	<b>679</b>
<b>(c) Off-balance sheet credit facilities <sup>(1)</sup></b>					
At 1 January 2007	96	–	107	–	–
Net (decrease)/increase	772	–	(37)	–	–
At 31 December 2007	<b>868</b>	<b>–</b>	<b>70</b>	<b>–</b>	<b>–</b>
<b>(d) Income statement transactions</b>					
Year ended 31 December 2007:					
Interest income	<b>82</b>	<b>–</b>	<b>4</b>	<b>#</b>	<b>#</b>
Interest expense	<b>45</b>	<b>#</b>	<b>6</b>	<b>#</b>	<b>10</b>
Rental income	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Fee and commission and other income	<b>13</b>	<b>–</b>	<b>#</b>	<b>#</b>	<b>42</b>
Rental and other expenses	<b>163</b>	<b>7</b>	<b>#</b>	<b>#</b>	<b>#</b>
Year ended 31 December 2006:					
Interest income	61	–	5	#	–
Interest expense	53	#	4	#	18
Rental income	3	–	–	–	–
Fee and commission and other income	8	–	#	#	40
Rental and other expenses	150	6	#	#	–

Note:

<sup>(1)</sup> Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies.

# Amount less than \$0.5 million.

#### 47.2 Key management personnel compensation

Key management personnel compensation is as follows:

	<b>BANK</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$ million</b>	<b>\$ million</b>
Short-term employee benefits	<b>29</b>	19
Share-based benefits	<b>5</b>	4
	<b>34</b>	23

During the financial year, total options granted to key management personnel of the Bank amounted to \$4.5 million (2006: \$1.9 million). Included in the above table are directors' emoluments which were disclosed in Note 8.1. Equity-settled compensation to directors of the Bank is disclosed in Notes 13.2, 13.3 and 13.4.

## Notes to the Financial Statements

For the financial year ended 31 December 2007

### 48. SUBSEQUENT EVENT

On 4 January 2008, the Bank announced that its wholly-owned subsidiary, OCBC Capital (Malaysia) Sdn Bhd (“OCM”) (formerly known as OSPL Holdings Sdn Bhd) notified the Board of Directors of PacificMas Berhad (“Pacmas”), which is listed on Bursa Malaysia Securities Berhad, of its intention to undertake a conditional cash offer for all the voting shares in Pacmas not already owned by OHSB, at a price of RM4.30 per share. The Bank and its subsidiaries (“the Group”) own 28.15% of Pacmas as at 4 January 2008.

Subsequent to the announcement, OCM purchased 7,666,100 Pacmas shares at an average price of RM4.27 per share from the open market, with an aggregate cash consideration of approximately RM32.7 million. Following the open market purchase, the Group’s shareholding in Pacmas increased from 28.15% to 32.63%.

### 49. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following relevant accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 108                      Operating Segments
- INT FRS 111                FRS 102 – Group and Treasury Share Transactions

FRS 108 replaces FRS 14 Segment Reporting, and is to be applied to the Group’s financial statements from 1 January 2009, or earlier. FRS 14 requires an entity to report on its segment information, one based on its products/services and the other by the different geographical areas it operates in. FRS 108 requires segment information to be presented based on operating segments, the performance of which is regularly reviewed and forms the basis for the entity’s decision makers in allocating resources. There is no distinction between primary and secondary segments. This standard does not have any impact on the recognition and measurement policies adopted for the Group’s financial statements.

INT FRS 111 is effective for annual periods beginning on or after 1 March 2007. The new INT FRS addresses several issues, one of which relates to share-based payment arrangements whereby a parent grants rights to its equity instruments directly to employees of its subsidiary. It was concluded that where the share-based payment arrangement is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary shall also measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent. The INT FRS is not expected to have any impact on the Group’s financial statements.

## Group's Major Properties

As at 31 December 2007

	Purpose	Carrying value S\$'000	Market value <sup>(1)</sup> S\$'000	Effective stake (%)	Gross floor area (sq ft)
<b>Singapore</b>					
OCBC Centre, 65 Chulia Street	Office	32,234	745,000	100	993,089
OCBC Centre East, 63 Chulia Street	Office	106,487	259,000	100	242,385
OCBC Centre South, 18 Church Street	Office	78,668	112,200	100	118,909
63 Market Street	Office	311,516	497,000	100	248,996
11 Tampines Central 1	Office	71,196	92,000	100	115,782
31 Tampines Finance Park Avenue 4	Office	54,814	71,500	100	97,537
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	30,316	44,000	100	34,550
260 Tanjong Pagar Road	Office	5,807	32,000	100	44,940
101 Cecil Street #01-01/02 Tong Eng Building	Office	2,089	18,900	100	15,984
110 Robinson Road	Office	4,730	15,000	100	22,120
460 North Bridge Road	Office	3,487	16,500	100	26,576
277 Orchard Road	Land under development	3,803	500,000	100	69,001 <sup>(2)</sup>
The Waterside, Block 9 & 13 Tanjong Rhu Road	Residential	43,262	210,400	100	251,889
Somerset Compass, 2 Mt Elizabeth Link	Residential	24,133	160,000	100	104,377
The Compass at Chancery, 6, 6A to H, J to N, P to U Chancery Hill Road	Residential	14,821	44,000	100	54,739
Valley Lodge, #02-00 to #10-00, 257 River Valley Road	Residential	2,954	13,400	100	24,421
Land at Bassein Road, Lot 45L, Town subdivision 29	Land for development	105	23,000	100	17,203 <sup>(2)</sup>
		790,422	2,853,900		
<b>Malaysia</b>					
Menara OCBC, 18 Jalan Tun Perak, Kuala Lumpur	Office	44,162	51,296	100	243,262
<b>Indonesia</b>					
Bank NISP Tower, Jl Dr. Satrio, Casablanca, Jakarta	Office	22,141	33,948	72	362,313
<b>Other properties located in</b>					
Singapore		151,425	349,610		
Malaysia		33,258	90,654		
Other ASEAN		41,850	49,989		
Other Asia Pacific		103,514	257,587		
Rest of the World		2,373	12,327		
		332,420	760,167		
<b>Total<sup>(3)</sup></b>		<b>1,189,145</b>	<b>3,699,311</b>		

<sup>(1)</sup> Valuations were made by independent firms of professional valuers.

<sup>(2)</sup> Refers to land area.

<sup>(3)</sup> Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.

## Ordinary/Preference Shareholding Statistics

As at 29 February 2008

### CLASS OF SHARES

Ordinary shares

### NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders of the Bank as at 29 February 2008 is 53,145.

### VOTING RIGHTS

The Articles of Association provide for a member (other than the Bank where it is a member by reason of its holding of ordinary shares as treasury shares) to have:

- (a) on a show of hands: 1 vote
- (b) on a poll: 1 vote for each ordinary share held

### DISTRIBUTION OF ORDINARY SHAREHOLDERS

Size of Holdings	Number of Ordinary Shareholders	%	Ordinary Shares Held	%
1 – 999	4,550	8.56	1,447,606	0.05
1,000 – 10,000	37,387	70.35	128,855,747	4.12
10,001 – 1,000,000	11,058	20.81	558,888,130	17.87
1,000,001 and above	150	0.28	2,437,321,229	77.96
Total	53,145	100.00	3,126,512,712	100.00

Number of ordinary shares held in treasury: 39,482,619

Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 1.28%

### TWENTY LARGEST ORDINARY SHAREHOLDERS

Ordinary Shareholders	Number of Ordinary Shares Held	%*
1. DBS Nominees (Private) Limited	468,639,427	15.18
2. Selat (Pte) Limited	348,957,470	11.30
3. Citibank Nominees Singapore Pte Ltd	234,186,553	7.59
4. HSBC (Singapore) Nominees Pte Ltd	206,546,874	6.69
5. DBSN Services Pte. Ltd.	123,322,529	3.99
6. Singapore Investments (Pte) Limited	112,134,760	3.63
7. Lee Foundation	110,784,042	3.59
8. Lee Rubber Company (Pte) Limited	92,739,108	3.00
9. Raffles Nominees (Pte.) Limited	79,673,102	2.58
10. United Overseas Bank Nominees (Private) Limited	54,333,003	1.76
11. Lee Latex (Pte) Limited	42,809,414	1.39
12. Kallang Development (Pte) Limited	28,810,836	0.93
13. Lee Pineapple Company (Pte) Limited	20,000,000	0.65
14. Kew Estate Limited	19,900,000	0.64
15. DB Nominees (Singapore) Pte Ltd	19,080,139	0.62
16. Aranda Investments Pte. Ltd.	18,274,000	0.59
17. Lee Brothers (Wee Kee) Private Limited	15,753,000	0.51
18. Tropical Produce Company (Pte) Limited	14,599,660	0.47
19. Kota Trading Company Sendirian Berhad	14,527,176	0.47
20. Island Investment Company (Private) Limited	14,365,260	0.47
Total	2,039,436,353	66.05

\* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 29 February 2008, excluding any ordinary shares held in treasury as at that date.

Approximately 73.06% of the issued ordinary shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

## Ordinary/Preference Shareholding Statistics

As at 29 February 2008

### SUBSTANTIAL ORDINARY SHAREHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial ordinary shareholders of the Bank having an interest of 5 per cent or more of the total votes attached to all the voting shares in the Bank as undernoted:

Substantial ordinary shareholders	Ordinary shares registered in the name of the substantial ordinary shareholders	Ordinary shares held by the substantial ordinary shareholders in the name of nominees	Ordinary shares in which the substantial ordinary shareholders are deemed to be interested	Total	Percentage* of issued ordinary shares
	As at 29.2.2008	As at 29.2.2008	As at 29.2.2008	As at 29.2.2008	
Lee Foundation	110,784,042	–	482,883,510 <sup>(1)</sup>	593,667,552	19.23%
Selat (Pte) Limited	348,957,470	–	15,511,614 <sup>(2)</sup>	364,469,084	11.81%

\* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 29 February 2008, excluding any ordinary shares held in treasury as at that date.

<sup>(1)</sup> This represents Lee Foundation's deemed interest in (a) the 20,000,000 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 348,957,470 ordinary shares held by Selat (Pte) Limited, (c) the 112,134,760 ordinary shares held by Singapore Investments (Pte) Limited and (d) the 1,791,280 ordinary shares held by Peninsula Plantations Sendirian Berhad.

<sup>(2)</sup> This represents Selat (Pte) Limited's deemed interest in (a) the 1,146,354 ordinary shares held by South Asia Shipping Company Private Limited and (b) the 14,365,260 ordinary shares held by Island Investment Company (Private) Limited.



## Ordinary/Preference Shareholding Statistics

As at 29 February 2008

### CLASS OF SHARES

Non-Cumulative Non-Convertible Class E Preference Shares.

### NUMBER OF CLASS E PREFERENCE SHAREHOLDERS

The number of Class E Preference Shareholders of the Bank as at 29 February 2008 is 1,762.

### VOTING RIGHTS

Except as provided below, the Class E Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class E Preference Shareholders shall be entitled to attend a class meeting of the Class E Preference Shareholders. Every Class E Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

If dividends with respect to the Class E Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class E Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class E Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust amount for payment to the Class E Preference Shareholders). Every Class E Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

### DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class E Preference Shareholders	%	Number of Class E Preference Shares Held	%
1 – 999	1,005	57.04	328,100	6.56
1,000 – 10,000	704	39.95	1,951,940	39.04
10,001 – 1,000,000	53	3.01	2,719,960	54.40
Total	1,762	100.00	5,000,000	100.00

### TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

Class E Preference Shareholders	Number of Class E Preference Shares Held	%
1. Citibank Nominees Singapore Pte Ltd	861,700	17.23
2. Pan-United Investments Pte. Ltd.	183,000	3.66
3. HSBC (Singapore) Nominees Pte Ltd	145,400	2.91
4. Infocomm Investments Pte Ltd	143,000	2.86
5. E M Services Private Limited	137,800	2.76
6. DBS Nominees (Private) Limited	129,060	2.58
7. National Council of Social Service	80,000	1.60
8. United Overseas Bank Nominees (Private) Limited	74,000	1.48
9. Raffles Nominees (Pte.) Limited	67,500	1.35
10. Tan Chee Jin	55,000	1.10
11. Seapac Investment Pte Ltd	42,500	0.85
12. DBSN Services Pte. Ltd.	37,300	0.75
13. DB Nominees (Singapore) Pte Ltd	36,400	0.73
14. NTUC Thrift & Loan Co-Operative Limited	35,000	0.70
15. Chua Hong Thuan	30,600	0.61
16. AXA Insurance Singapore Pte Ltd	30,000	0.60
17. Hobee Print Pte Ltd	30,000	0.60
18. Phng Hooi Chay	30,000	0.60
19. Tang Wee Loke	27,500	0.55
20. Lee Cheok Yew	27,000	0.54
Total	2,202,760	44.06

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap 50 in relation to the Class E Preference Shares.

## Ordinary/Preference Shareholding Statistics

As at 29 February 2008

### CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares.

### NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 29 February 2008 is 5,914.

### VOTING RIGHTS

Except as provided below, the Class G Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class G Preference Shareholders shall be entitled to attend a class meeting of the Class G Preference Shareholders. Every Class G Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

If dividends with respect to the Class G Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class G Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class G Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust amount for payment to the Class G Preference Shareholders). Every Class G Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

### DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class G Preference Shareholders	%	Number of Class G Preference Shares Held	%
1 – 999	640	10.82	282,731	0.07
1,000 – 10,000	3,347	56.60	13,584,059	3.43
10,001 – 1,000,000	1,899	32.11	143,662,763	36.30
1,000,001 and above	28	0.47	238,301,331	60.20
Total	5,914	100.00	395,830,884	100.00

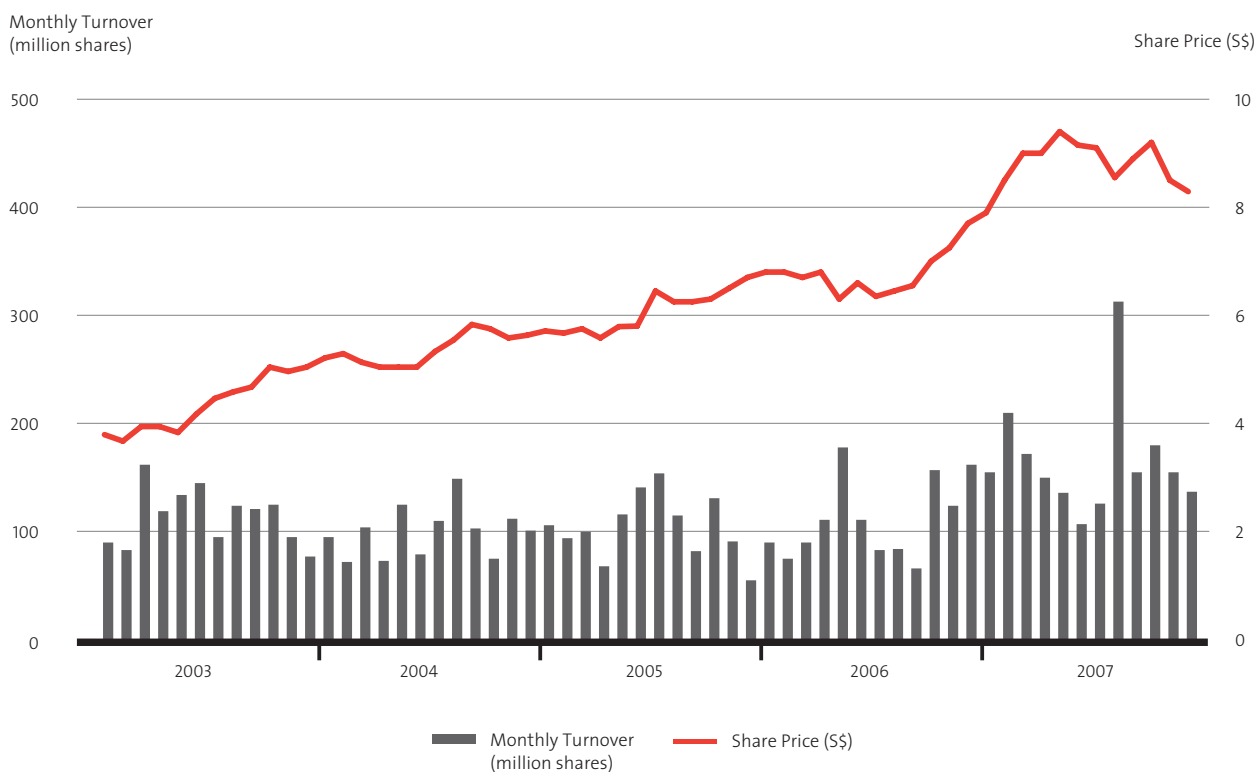
### TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

Class G Preference Shareholders	Number of Class G Preference Shares Held	%
1. Citibank Nominees Singapore Pte Ltd	67,200,309	16.98
2. Selat (Pte) Limited	53,879,531	13.61
3. Lee Rubber Company (Pte) Limited	18,564,085	4.69
4. Lee Foundation, Sates of Malaya	16,000,000	4.04
5. United Overseas Bank Nominees (Private) Limited	11,748,337	2.97
6. Singapore Investments (Pte) Limited	10,642,763	2.69
7. Lee Latex (Pte) Limited	8,609,432	2.18
8. Lee Foundation	7,080,009	1.79
9. Fraser and Neave Limited.	6,069,458	1.53
10. Pan-United Investments Pte. Ltd.	4,675,000	1.18
11. TM Asia Life Singapore Ltd.	4,000,000	1.01
12. TM Asia Insurance Singapore Ltd.	3,948,000	1.00
13. DBS Nominees (Private) Limited	3,615,610	0.91
14. Tan Chee Jin	3,000,000	0.76
15. Lee Plantations (Pte) Ltd	2,323,572	0.59
16. Island Investment Company Private Limited	2,301,287	0.58
17. Y.S. Fu Holdings (2002) Pte. Ltd.	1,700,000	0.43
18. Kota Trading Company Sendirian Berhad	1,680,093	0.42
19. Chong Chew Lim @ Chong Ah Kau	1,582,212	0.40
20. HSBC (Singapore) Nominees Pte Ltd	1,401,633	0.35
Total	230,021,331	58.11

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap 50 in relation to the Class G Preference Shares.

## Investor Reference

### FIVE-YEAR SHARE PRICE AND TURNOVER



	2003	2004	2005	2006	2007
<b>Share price (S\$) <sup>(1)</sup></b>					
Highest	5.21	5.92	6.70	7.75	<b>9.70</b>
Lowest	3.42	4.83	5.58	6.20	<b>7.50</b>
Average	4.34	5.34	6.03	6.75	<b>8.84</b>
Last done	5.04	5.63	6.70	7.70	<b>8.29</b>
<b>Per ordinary share <sup>(1)</sup></b>					
Basic earnings (cents)	30.0	35.4	40.1	63.4	<b>65.9</b>
Net interim and final dividend (cents) <sup>(2)</sup>	7.6	12.7	18.4	23.0	<b>28.0</b>
Net special/bonus dividend (cents) <sup>(2)</sup>	20.7	–	41.7	–	<b>–</b>
Net asset value (NAV) (S\$)	2.98	3.27	3.67	4.07	<b>4.79</b>
<b>Ratios</b>					
Price-earnings ratio <sup>(3)</sup>	14.46	15.08	15.05	10.65	<b>13.41</b>
Net dividend yield (%) <sup>(3)</sup>	1.75	2.37	3.05	3.41	<b>3.17</b>
Dividend cover (number of times) <sup>(4)</sup>	3.96	2.75	2.19	2.77	<b>2.35</b>
Price/NAV (number of times) <sup>(3)</sup>	1.45	1.63	1.64	1.66	<b>1.85</b>

**Notes:**

<sup>(1)</sup> Share price and per ordinary share data have been adjusted for the effects of the 1-for-5 rights Issue and 2-for-1 sub-division of shares, effected on 18 July 2005 and 5 August 2005 respectively.

<sup>(2)</sup> Dividends net of tax, or tax exempt dividends.

<sup>(3)</sup> Based on average share prices. Net dividend yield excludes special and bonus dividends.

<sup>(4)</sup> Profit attributable to equity holders of the Bank after preference dividends divided by net dividends (excluding special and bonus dividends).

## Investor Reference

### FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

Year	Particulars	Ordinary shares issued ('000)	Held in treasury ('000)	Shares in circulation ('000)
2003	Beginning Balance	1,290,299		
	Selective capital reduction	(12,139)		
	Issue of shares pursuant to Share Option Schemes	1,916		
	Year end balance	1,280,076		1,280,076
2004	Selective capital reduction	(80,192)		
	Share buyback	(24,309)		
	Issue of shares pursuant to voluntary unconditional offer for GEH	136,207		
	Issue of shares pursuant to Share Option Schemes	4,761		
	Year end balance	1,316,543		1,316,543
2005	1-for-5 rights issue	262,138		
	2-for-1 sub-division of shares	1,565,781		
	Share buyback	(54,756)		
	Acquisition of additional shares in GEH	13,848		
	Issue of shares pursuant to Share Option Schemes	9,180		
	Issue of shares pursuant to Employee Share Purchase Plan	1,590		
	Shares issued to non-executive directors	14		
	Year end balance	3,114,338		3,114,338
2006	Share buyback	(7,008)	(59,265)	
	Acquisition of additional shares in GEH	6,020		
	Issue of shares pursuant to Share Option Schemes	11,334	5,338	
	Issue of shares pursuant to Employee Share Purchase Plan	1,728	2,258	
	Shares issued to non-executive directors	48		
	Year end balance	3,126,460	(51,669)	3,074,791
2007	Shares issued to non-executive directors	53		
	Share buyback		(4,986)	
	Issue of shares pursuant to Share Option Schemes		14,951	
	Issue of shares pursuant to Employee Share Purchase Plan		1,412	
	Year end balance	3,126,513	(40,292)	3,086,221

## Further Information on Directors

### DR CHEONG CHOONG KONG

#### Current Directorships (and Appointments)

1. Great Eastern Holdings Ltd*	Director
2. OCBC Management Services Pte Ltd	Director
3. The Great Eastern Life Assurance Co Ltd	Director
4. The Overseas Assurance Corporation Ltd	Director

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. Dominant China Finance Ltd	Director
2. HighPoint Community Services Association	Director
3. Singapore Press Holdings Ltd	Director
4. United Eagle Airlines Co Ltd	Director
5. Vickers Private Equity Investment Consultancy Co, Ltd	Director

#### Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics), University of Adelaide  
Master of Science and Ph.D. in Mathematics, Australian National University, Canberra

#### OCBC Board Committees Served On

Chairman, Executive Committee  
Member, Nominating Committee  
Member, Remuneration Committee  
Member, Risk Committee

#### Date of First Appointment as a Director of OCBC

Director since 1 July 1999  
Vice Chairman from 26 March 2002 to 30 June 2003  
Chairman since 1 July 2003

#### Date of Last Re-election as a Director of OCBC

20 April 2006

#### Independent Status

Non-executive and non-independent director

### MR MICHAEL WONG PAKSHONG

#### Current Directorships (and Appointments)

1. Great Eastern Holdings Ltd*	Chairman
2. The Great Eastern Life Assurance Co Ltd	Chairman
3. The Overseas Assurance Corporation Ltd	Chairman
4. Bukit Sembawang Estates Ltd*	Director
5. OCBC Management Services Pte Ltd	Director
6. The Straits Trading Co Ltd*	Director
7. WBL Corporation Ltd*	Director
8. Dover Park Hospice Endowment Fund	Trustee

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. Robinson and Co, Ltd	Chairman
2. Sime Singapore Ltd	Chairman
3. Jaya Holdings Ltd	Director
4. Sime Darby Berhad	Director

#### Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Bristol  
Hon. L.L.D, University of Bristol  
Fellow of the Institute of Chartered Accountants in England and Wales  
Member of the Institute of Certified Public Accountants of Singapore

#### OCBC Board Committees Served On

Chairman, Nominating Committee  
Chairman, Remuneration Committee

#### Date of First Appointment as a Director of OCBC

Director since 21 April 1989  
Vice Chairman since 26 March 2002

#### Date of Last Re-appointment as a Director of OCBC

19 April 2007

#### Independent Status

Independent from management and business relationships

## Further Information on Directors

### MR BOBBY CHIN

#### Current Directorships (and Appointments)

1. Singapore Totalisator Board	Chairman
2. A V Jennings Ltd*	Director
3. Frasers Centrepoint Asset Management Ltd	Director
4. Ho Bee Investment Ltd*	Director
5. Neptune Orient Lines Ltd*	Director
6. Singapore Cooperation Enterprise	Director
7. Singapore Labour Foundation	Director
8. Singapore Power Ltd	Director
9. The Straits Trading Co Ltd*	Director
10. Yeo Hiap Seng Ltd*	Director
11. Competition Commission of Singapore	Member
12. Singapore Chinese Chamber of Commerce and Industry	Council Member
13. Singapore Indian Development Association	Board Trustee

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. Changi Airports International Pte Ltd	Chairman
2. Singapore Changi Airport Enterprise Pte Ltd	Chairman
3. Urban Redevelopment Authority	Chairman

### MR DAVID CONNER

#### Current Directorships (and Appointments)

1. Association of Banks in Singapore	Chairman
2. Bank of Singapore Ltd	Chairman
3. International Advisory Council for Asia, Washington University in St Louis	Chairman
4. Asean Finance Corporation Ltd	Director
5. Asean Supreme Fund Ltd (in voluntary liquidation)	Director
6. Dr Goh Keng Swee Scholarship Fund	Director
7. Great Eastern Holdings Ltd*	Director
8. International Monetary Conference	Director
9. KTB Ltd	Director
10. Lion Capital Management Ltd	Director
11. OCBC Bank (Malaysia) Berhad	Director
12. OCBC Overseas Investments Pte. Ltd.	Director
13. The Great Eastern Life Assurance Co Ltd	Director
14. The Overseas Assurance Corporation Ltd	Director
15. PT Bank NISP Tbk*	Commissioner
16. Advisory Board of Lee Kong Chian School of Business	Member
17. Asian Pacific Bankers Club	Member
18. MAS Financial Sector Development Fund Advisory Committee	Member
19. The f-Next Council of Institute of Banking & Finance	Member
20. Singapore Business Federation	Council Member

#### Directorships (and Appointments) for the past 3 years (continued)

4. KPMG Singapore	Managing Partner
5. Stamford Land Corporation Ltd	Director
6. Singapore Business Federation	Council Member
7. Singapore Management University	Board Trustee

#### Academic and Professional Qualifications

Bachelor of Accountancy, University of Singapore  
Associate Member of the Institute of Chartered Accountants in England and Wales  
Member of the Institute of Certified Public Accountants of Singapore

#### OCBC Board Committees Served On

Chairman, Audit Committee

#### Date of First Appointment as a Director of OCBC

1 October 2005

#### Date of Election as a Director of OCBC

20 April 2006

#### Independent Status

Independent director

#### Current Directorships (and Appointments) (continued)

21. Washington University in St Louis	Ethan A H Shepley Trustee
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\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. The Esplanade Co Ltd	Director
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#### Academic and Professional Qualifications

Bachelor of Arts, Washington University, St. Louis, Missouri  
Master of Business Administration, Columbia University, New York

#### OCBC Board Committees Served On

Member, Executive Committee  
Member, Risk Committee

#### Date of First Appointment as a Director of OCBC

Director since 15 April 2002

#### Date of Last Re-election as a Director of OCBC

19 April 2007

#### Independent Status

Not independent director

## Further Information on Directors

### MR GIAM CHIN TOON, S.C.

#### Current Directorships (and Appointments)

1. Inquiry Panel of the Law Society of Singapore	Chairman
2. Wee Swee Teow & Co	Senior Partner
3. Ascott Residence Trust Management Ltd	Director
4. Guthrie GTS Ltd*	Director
5. OCBC Management Services Pte Ltd	Director
6. Singapore Institute of Directors	Director
7. Singapore Mediation Centre	Director
8. Inland Revenue Authority of Singapore	Member
9. Securities Industry Council	Member
10. Singapore Ambassador (Non-Resident) to Peru	
11. Singapore High Commissioner Designate (Non-Resident) to Ghana	

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. John Wiley & Sons (Asia) Pte Ltd	Director
2. Pertama Holdings Ltd	Director
3. Raffles Holdings Ltd	Director
4. SembCorp Logistics Ltd	Director

### MR LEE SENG WEE

#### Current Directorships (and Appointments)

1. Board of Trustees of the Temasek Trust	Chairman
2. GIC Real Estate Pte Ltd	Director
3. Great Eastern Holdings Ltd*	Director
4. Lee Foundation	Director
5. Lee Rubber Group of Companies	Director
6. The Great Eastern Life Assurance Co Ltd	Director
7. The Overseas Assurance Corporation Ltd	Director

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

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#### Directorships (and Appointments) for the past 3 years (continued)

5. Singapore Island Country Club	President
6. The Executives' Club	Treasurer
7. Energy Market Authority	Member
8. Health Sciences Authority	Member

#### Academic and Professional Qualifications

LLB (Honours) and LLM, University of Singapore

#### OCBC Board Committees Served On

Member, Nominating Committee

Member, Risk Committee

#### Date of First Appointment as a Director of OCBC

Director since 1 January 2005

#### Date of Re-election as a Director of OCBC

19 April 2007

#### Independent Status

Independent director

#### Academic and Professional Qualifications

Bachelor of Applied Science (Engineering), University of Toronto  
Master of Business Administration, University of Western Ontario

#### OCBC Board Committees Served On

Member, Executive Committee

Member, Nominating Committee

#### Date of First Appointment as a Director of OCBC

Director since 25 February 1966

Chairman from 1 August 1995 to 30 June 2003

#### Date of Last Re-appointment as a Director of OCBC

19 April 2007

#### Independent Status

Independent from management and business relationships

## Further Information on Directors

### DR LEE TIH SHIH

#### Current Directorships (and Appointments)

1. Lee Foundation, Singapore	Director
2. Lee Rubber Co Pte Ltd	Alternate Director
3. Selat Pte Ltd	Director
4. Singapore Investments Pte Ltd	Director
5. Duke-NUS Graduate Medical School (Singapore)/Duke University Medical School (USA)	Employee

#### Directorships (and Appointments) for the past 3 years

1. Fraser & Neave Ltd	Director
2. PT Bank NISP Tbk	Commissioner

#### Academic and Professional Qualifications

MBA with Distinction, Imperial College, London  
MD, Yale University, New Haven  
PhD (Neuroscience), Yale University, New Haven  
Fellow, Royal College of Physicians (Canada)

#### OCBC Board Committees Served On

Member, Remuneration Committee

#### Date of First Appointment as a Director of OCBC

Director since 4 April 2003

#### Date of Last Re-election as a Director of OCBC

20 April 2006

#### Independent Status

Independent from management and business relationships

### TAN SRI DATO NASRUDDIN BIN BAHARI

#### Current Directorships (and Appointments)

1. Affin Money Brokers Sendirian Berhad	Chairman
2. OCBC Bank (Malaysia) Berhad	Chairman
3. OCBC Credit Berhad	Chairman
4. Sumber Petroleum Cemerlang (SPC) Sendirian Berhad	Chairman
5. Lingkar Trans Kota Holdings Berhad (LITRAK)*	Director
6. OCBC Advisers (Malaysia) Sendirian Berhad	Director
7. RB Land Holdings Berhad	Director
8. Tan Sri Chua Family Foundation	Director
9. The Pacific Insurance Berhad	Director

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. PacificMas Capital Sendirian Berhad	Director
2. Road Builder (Malaysia) Holdings Berhad	Director

#### Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Malaya (Singapore)  
Master of Public Administration, University of Pittsburgh, USA

#### OCBC Board Committees Served On

Member, Audit Committee  
Member, Remuneration Committee

#### Date of First Appointment as a Director of OCBC

Director since 13 November 2000

#### Date of Last Re-election as a Director of OCBC

30 March 2005

#### Independent Status

Independent director



## Further Information on Directors

### PROFESSOR NEO BOON SIONG

#### Current Directorships (and Appointments)

1. Asia Competitiveness Institute of the Lee Kuan Yew School of Public Policy in National University of Singapore	Director/ employee
2. English Xchange Pte Ltd	Director
3. Great Eastern Holdings Ltd*	Director
4. J. Lauritzen Singapore Pte Ltd	Director
5. Keppel Offshore & Marine Ltd	Director
6. The Great Eastern Life Assurance Co Ltd	Director
7. The Overseas Assurance Corporation Ltd	Director
8. Goods and Services Tax Board of Review	Member
9. Income Tax Board of Review	Member
10. Securities Industry Council	Member

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. Informatics Holdings Ltd	Director
2. National Community Leadership Institute	Board Member
3. Education Services Accreditation Council	Member
4. Institute of Defence & Strategic Studies	Governor

### MR PRAMUKTI SURJAUDAJA

#### Current Directorships (and Appointments)

1. PT Bank NISP Tbk*	President Director & CEO
2. Lembaga Pendidikan Perbankan Indonesia (by Bank Indonesia), Education & Training Evaluation Committee	Committee Member
3. Perbanas (Indonesian Private Banks Association), International Relationship Committee	Committee Member
4. International and East Asia Councils of Insead, France	Board Member
5. Parahyangan Catholic University	Advisor

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

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#### Academic and Professional Qualifications

Bachelor of Accountancy (Honours), National University of Singapore  
Master of Business Administration and Ph.D., University of Pittsburgh

#### OCBC Board Committees Served On

Member, Audit Committee  
Member, Risk Committee

#### Date of First Appointment as a Director of OCBC

Director since 1 January 2005

#### Date of Election as a Director of OCBC

30 March 2005

#### Independent Status

Independent director

#### Academic and Professional Qualifications

Bachelor of Science (Finance & Banking), San Francisco State University  
Master of Business Administration (Banking), Golden Gate University, San Francisco  
Participant in Special Programs in International Relations, International University of Japan

#### OCBC Board Committees Served On

Member, Risk Committee

#### Date of First Appointment as a Director of OCBC

1 June 2005

#### Date of Election as a Director of OCBC

20 April 2006

#### Independent Status

Not independent director

## Further Information on Directors

### DR TSAO YUAN

#### Current Directorships (and Appointments)

1. Keppel Corporation Ltd*	Director
2. SDC Consulting (Shanghai) Co Ltd	Director
3. Singapore Land Authority	Director
4. Skills Development Centre (North China) Pte Ltd	Director
5. Skills Development Centre Pte Ltd	Director

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. CDC Consulting Sendirian Berhad	Director
2. CDC Management Development Sendirian Berhad	Director
3. Pacfusion Ltd	Director
4. Pacific Internet Ltd	Director

#### Academic and Professional Qualifications

Bachelor of Economics and Statistics (First Class Honours), University of Singapore  
Ph.D. (Economics), Harvard University

#### OCBC Board Committees Served On

Member, Audit Committee  
Member, Remuneration Committee

#### Date of First Appointment as a Director of OCBC

Director since 3 April 2002

#### Date of Last Re-election as a Director of OCBC

19 April 2007

#### Independent Status

Independent director

### COL (RET) DAVID WONG CHEONG FOOK

#### Current Directorships (and Appointments)

1. APL Japan Trust Management (Singapore) Ltd	Director
2. Ascendas-MGM Funds Management Ltd	Director
3. Banking Computer Services Pte Ltd	Director
4. BCS Information Systems Pte Ltd	Director
5. Jurong International Holdings Pte Ltd	Director
6. LMA International NV*	Director
7. OCBC Bank (Malaysia) Berhad	Director
8. Singapore Chinese Girls' School	Director
9. Teva Pharmaceutical Investments Singapore Pte Ltd	Director
10. Board of Governance of the Methodist Welfare Services	Treasurer
11. National Environment Agency	Board Member

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

1. EM Services Pte Ltd	Chairman
2. Bank of Singapore Ltd	Director
3. Civil Service College	Director
4. Pacific Internet Ltd	Director
5. Pan-United Marine Ltd	Director
6. Housing & Development Board	Member

#### Directorships (and Appointments) for the past 3 years (continued)

7. Public Transport Council	Member
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#### Academic and Professional Qualifications

Bachelor of Arts (Honours) in Economics, University of Cambridge  
Master of Arts, University of Cambridge  
Member of the Institute of Chartered Accountants in England and Wales  
Member of the Institute of Certified Public Accountants in Singapore

#### OCBC Board Committees Served On

Member, Audit Committee  
Member, Nominating Committee

#### Date of First Appointment as a Director of OCBC

Director since 1 August 1999

#### Date of Last Re-election as a Director of OCBC

19 April 2007

#### Independent Status

Independent director

## Further Information on Directors

### MR WONG NANG JANG

#### Current Directorships (and Appointments)

- |                               |              |
|-------------------------------|--------------|
| 1. WBL Corporation Ltd*       | Chairman     |
| 2. PacificMas Berhad*         | Director     |
| 3. Singapore Symphonia Co Ltd | Director     |
| 4. PT Bank NISP Tbk*          | Commissioner |

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

- |  |          |
|--|----------|
| 1. Banking Computer Services Pte Ltd                 | Chairman |
| 2. BCS Information Systems Pte Ltd                   | Chairman |
| 3. Bank of Singapore Ltd                             | Director |
| 4. SIA Engineering Co Ltd                            | Director |
| 5. Second Singapore Note and Coin Advisory Committee | Member   |

#### Academic and Professional Qualifications

Bachelor of Arts in Economics (Honours), University of Singapore

#### OCBC Board Committees Served On

Member, Executive Committee

#### Date of First Appointment as a Director of OCBC

Director since 1 August 1998

#### Date of Last Re-election as a Director of OCBC

30 March 2005

#### Independent Status

Independent director

### MR PATRICK YEOH

#### Current Directorships (and Appointments)

- |                              |                 |
|------------------------------|-----------------|
| 1. Tuan Sing Holdings Ltd*   | Chairman        |
| 2. GITI Tire Company Ltd*    | Deputy Chairman |
| 3. Accuron Technologies Ltd  | Director        |
| 4. MobileOne Ltd*            | Director        |
| 5. Nuri Holdings (S) Pte Ltd | Advisor         |
| 6. The EDB Society           | Advisor         |

\* Listed companies

#### Directorships (and Appointments) for the past 3 years

- |  |          |
|--|----------|
| 1. Singapore Food Industries Ltd   | Director |
| 2. Shanghai GT Courtyard Cultural Investments Co Ltd (aka "Three on the Bund Ltd") | Director |
| 3. Times Publishing Ltd  | Director |
| 4. Economic Development Board's Entrepreneur Development Fund Loans Committee      | Member   |

#### Academic and Professional Qualifications

Bachelor of Science (Honours), University of Malaya (Singapore)

#### OCBC Board Committees Served On

Chairman, Risk Committee  
Member, Executive Committee

#### Date of First Appointment as a Director of OCBC

Director since 9 July 2001

#### Date of Last Re-election as a Director of OCBC

20 April 2006

#### Independent Status

Independent director

## Additional Information Required under the SGX Listing Manual

### 1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2007	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) 2007
Dr Cheong Choong Kong	See Below <sup>(1)</sup>	–

<sup>(1)</sup> In the Banks' Annual Report 2006 ("AR 2006"), the Bank disclosed the consultancy agreement made on 12 June 2006 between Dr Cheong Choong Kong ("Dr Cheong"), Non-Executive Director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank. For the financial year ended 31 December 2006, in addition to the amount of S\$556,071 by way of payments and benefits made to Dr Cheong for the pro-rated period of July to December 2006 (as disclosed in AR 2006), Dr Cheong received a variable bonus of an aggregate amount of S\$325,860. Please see "Directors' contractual benefits" in the Directors' Report.

### 2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2007.

## Principal Network

### BANKING

#### OVERSEA-CHINESE BANKING CORPORATION LIMITED Singapore (Head Office)

65 Chulia Street  
#29-00 OCBC Centre  
Singapore 049513  
Tel: (65) 6318 7222  
Fax: (65) 6533 7955  
www.ocbc.com

### AUSTRALIA

#### Sydney Branch

Level 2  
75 Castlereagh Street  
Sydney NSW 2000  
Australia  
Tel: (61) 2 9235 2022  
Fax: (61) 2 9221 4360

#### Melbourne Branch

Level 3  
565 Bourke Street  
Melbourne VIC 3000  
Australia  
Tel: (61) 3 9612 7588  
Fax: (61) 3 9614 2286

### BRUNEI

#### Bandar Seri Begawan Branch

Unit G 03 Ground Floor Block D  
Kompleks Yayasan  
Sultan Haji Hassanah Bolkiah  
Jalan Pretty  
Bandar Seri Begawan BS 8711  
Brunei Darussalam  
Tel: (673) 2230 826  
Fax: (673) 2230 283

### CHINA

#### OCBC Bank (China) Limited

23F Tomson Commercial  
Building  
710 Dong Fang Road,  
Pudong,  
Shanghai 200122  
People's Republic of China

Tel: (86) 21 5820 0200  
Fax: (86) 21 5830 1925  
www.ocbc.com.cn

OCBC Bank (China) has  
eight branches, sub-branches  
and rep offices in China

### HONG KONG SAR

#### Hong Kong Branch

9/F, Nine Queen's Road Central  
Hong Kong SAR  
Tel: (852) 2868 2086  
Fax: (852) 2845 3439

### INDONESIA

#### Jakarta Main Branch

Wisma GKBI Suite 2201  
Jalan Jendral Sudirman No. 28  
Jakarta 10210  
Indonesia  
Tel: (62) 21 574 0222  
Fax: (62) 21 574 2666

#### Surabaya Branch

Wisma Tiara  
Jl. Panglima Sudirman  
No. 66 – 68  
Surabaya 60271  
Indonesia  
Tel: (62) 31 532 0703  
Fax: (62) 31 532 0705

#### Medan Branch

Wisma Bank International  
Indonesia  
6th Floor Suite 602  
Jl. Diponegoro No. 18  
Medan 20152  
Indonesia  
Tel: (62) 61 415 8779  
Fax: (62) 61 415 5990

#### Bandung

Graha Bumi Putera  
3rd Floor Suite 302  
Jl. Asia Afrika No. 141-149

Bandung 40112 Java Barat  
Indonesia

Tel : (62) 22 420 2132/2133  
Fax : (62) 22 420 2455

### PT Bank NISP Tbk

Bank NISP Tower  
Jl. Prof. Dr. Satrio Kav.25  
Jakarta 12940  
Indonesia  
Tel: (62) 21 2553 3888  
Fax: (62) 21 5794 4000

Bank NISP has over 350  
branches and offices in  
Indonesia

### JAPAN

#### Tokyo Branch

Akasaka Twin Tower Main  
Building  
15th Floor  
17 – 22 Akasaka 2-chome  
Minato-ku, Tokyo 107-0052  
Japan  
Tel: (81) 3 5570 3421  
Fax: (81) 3 5570 3426

### LABUAN

#### Labuan Branch

Level 8(C), Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Labuan  
Federal Territory Malaysia  
Tel: (087) 423 381/82  
Fax: (087) 423 390

### MALAYSIA

#### OCBC Bank (Malaysia) Berhad

Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Tel: (603) 2034 5034  
Fax: (603) 2698 4363  
www.ocbc.com.my

OCBC Bank (Malaysia) has  
29 branches in Malaysia

### MYANMAR

#### Representative Office

Sakura Tower  
Unit 1202, 12th Floor  
339 Bogyoke Aung San Road  
Kyauktada Township  
Yangon  
Union of Myanmar  
Tel: (951) 255 409  
Fax: (951) 255 410

### SOUTH KOREA

#### Seoul Branch

9th Floor, Seoul Finance Center  
84 Taepyung-ro 1-ka,  
Chung-ku, Seoul  
Korea 100-768  
Tel: (82) 2 754 4355  
Fax: (82) 2 754 2343

### TAIWAN

#### Taipei Branch

205 Tun Hwa North Road  
Bank Tower  
Suite 403, 4th Floor  
Taipei 105, Taiwan  
Republic of China  
Tel: (886) 2 2718 8819  
Fax: (886) 2 2718 0138

### THAILAND

#### Bangkok Branch

Unit 2501 – 2, 25th Floor  
Q House Lumpini  
1 South Sathorn Road  
Tungmahamek,  
Bangkok 10120  
Thailand  
Tel: (66) 2 287 9888  
Fax: (66) 2 287 9898

## Principal Network

### UNITED KINGDOM

#### London Branch

8th Floor, Aldermary House  
10 – 15 Queen Street  
London EC4N 1TX  
United Kingdom  
Tel: (44) 20 7653 0900  
Fax: (44) 20 7489 1132

### UNITED STATES OF AMERICA

#### Los Angeles Agency

801 South Figueroa Street,  
Suite #970  
Los Angeles, CA 90017  
United States of America  
Tel: (1) 213 624 1189  
Fax: (1) 213 624 1386

#### New York Agency

1700 Broadway 18/F  
New York NY 10019  
United States of America  
Tel: (1) 212 586 6222  
Fax: (1) 212 586 0636

### VIETNAM

#### Ho Chi Minh City Branch

Unit 706 – 709, Level 7  
Saigon Tower  
29 Le Duan Street  
District 1  
Ho Chi Minh City  
Vietnam  
Tel: (84) 8 823 2627  
Fax: (84) 8 823 2611

### BANK OF SINGAPORE LIMITED

Registered Address:  
65 Chulia Street  
#29-00 OCBC Centre  
Singapore 049513

Business Address:  
63 Chulia Street  
#08-00 OCBC Centre East  
Singapore 049514

Tel: (65) 6586 3200  
Fax: (65) 6438 3718

### INSURANCE

#### Great Eastern

**Holdings Limited**  
1 Pickering Street  
#13-01 Great Eastern Centre  
Singapore 048659  
Tel: (65) 6248 2000  
Fax: (65) 6532 2214  
www.lifeisgreat.com.sg

### ASSET MANAGEMENT

#### Lion Capital

**Management Limited**  
One George Street  
#08-01  
Singapore 049145  
Tel: (65) 6417 6800  
Fax: (65) 6417 6801  
www.lioncapital.com.sg

### NOMINEES

#### SINGAPORE

#### Oversea-Chinese Bank Nominees Private Limited

65 Chulia Street  
#11-00 OCBC Centre  
Singapore 049513  
Tel: (65) 6530 1235  
Fax: (65) 6533 3770

#### AUSTRALIA

#### OCBC Nominees (Australia) Pty Limited

Level 2, 75 Castlereagh Street  
Sydney NSW 2000  
Australia  
Tel: (61) 2 9235 2022  
Fax: (61) 2 9221 4360

#### HONG KONG SAR

#### OCBC Nominees (Hong Kong) Limited

9/F Nine Queen's Road  
Central

Hong Kong SAR  
Tel: (852) 2868 2086  
Fax: (852) 2845 3439

### MALAYSIA

#### Malaysia Nominees (Asing) Sendirian Berhad

#### Malaysia Nominees (Tempatan) Sendirian Berhad

Level 13, Menara OCBC,  
No. 18, Jalan Tun Perak,  
50050 Kuala Lumpur,  
Malaysia  
Tel: (603) 2034 5929  
Fax: (603) 2698 4420/  
(603) 2694 3691

#### OCBC Advisers (Malaysia)

#### Sdn Bhd

Suite 1005, 10th Floor,  
Wisma Hamzah-Kwong Hing,  
No.1 Leboh Ampang,  
50100 Kuala Lumpur

### PROPERTY MANAGEMENT

#### OCBC Property Services Private Limited

18 Cross Street  
#11-01/03 China Square Central  
Singapore 048423  
Tel: (65) 6533 0818  
Fax: (65) 6536 1464  
www.ocbcproperty.com.sg

### STOCKBROKING & FUTURES BROKING

#### OCBC Securities Private Limited

18 Church Street  
#01-00 OCBC Centre South  
Singapore 049479  
Tel: (65) 6535 2882  
Fax: (65) 6534 0025  
www.iocbc.com

### TRUSTEE

#### OCBC Trustee Limited

65 Chulia Street

#11-00 OCBC Centre  
Singapore 049513  
Tel: (65) 6530 1675  
Fax: (65) 6538 6916

## Financial Calendar

Announcement of annual results for 2007	21 February 2008
Annual General Meeting	17 April 2008
Announcement of first quarter results for 2008	May 2008
Payment of 2007 final dividend on ordinary shares (subject to shareholders' approval at AGM)	May/June 2008
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 June 2008
Announcement of second quarter results for 2008	August 2008
Payment of 2008 interim dividend (subject to approval of the Board)	September 2008
Announcement of third quarter results for 2008	November 2008
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	22 December 2008

## Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)  
Co. Registration No. 193200032W

Notice is hereby given that the Seventy-First Annual General Meeting of Oversea-Chinese Banking Corporation Limited (“the Bank”) will be held at Raffles City Convention Centre, Level 4, Canning Room, 2 Stamford Road, Singapore 178882, on Thursday, 17 April 2008 at 2.30 p.m. to transact the following business:

- 1 To receive and consider the audited Accounts for the financial year ended 31 December 2007 and the reports of the Directors and Auditors thereon.
- 2 (a) To re-appoint the following Directors under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:
  - (i) Mr Lee Seng Wee
  - (ii) Mr Patrick Yeoh Khwai Hoh(b) To re-elect the following Directors retiring by rotation:
  - (i) Dr Cheong Choong Kong
  - (ii) Dr Lee Tih Shih
  - (iii) Professor Neo Boon Siong
  - (iv) Mr Wong Nang Jang
- 3 To approve a final tax-exempt dividend of 14 cents per ordinary share, in respect of the financial year ended 31 December 2007.
- 4 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2007 comprising the following:
  - (a) Directors’ Fees of S\$1,697,000 (2006: S\$1,019,000).
  - (b) 4,800 ordinary shares in the capital of the Bank for each non-executive Director of the Bank (2006: 4,800 ordinary shares), and for this purpose to pass the following Resolution with or without amendments as an ordinary resolution:

That:

- (i) pursuant to Article 140 of the Articles of Association of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 52,800 ordinary shares in the capital of the Bank (the “Remuneration Shares”) as bonus shares for which no consideration is payable, to The Central Depository (Pte) Limited for the account of:
  - (1) Mr Michael Wong Pakshong (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (2) Mr Bobby Chin Yoke Choong (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (3) Mr Giam Chin Toon (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (4) Mr Lee Seng Wee (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (5) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (6) Tan Sri Dato Nasruddin Bin Bahari (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
  - (7) Professor Neo Boon Siong (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;



## Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)  
Co. Registration No. 193200032W

- (8) Dr Tsao Yuan (or for the account of such depository agent as she may direct) in respect of 4,800 Remuneration Shares;
- (9) Col (Ret) David Wong Cheong Fook (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
- (10) Mr Wong Nang Jang (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares; and
- (11) Mr Patrick Yeoh Khwai Hoh (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2007, the Remuneration Shares to rank in all respects *pari passu* with the existing ordinary shares; and

- (ii) any Director of the Bank or the Secretary be authorised to do all things necessary or desirable to give effect to the above.

5 To appoint Auditors and fix their remuneration.

6 As Special Business

To consider and, if thought fit, to pass the following Resolutions with or without amendments as ordinary resolutions:

### Ordinary Resolutions

(a) That authority be and is hereby given to the Directors of the Bank to:

- (i) issue ordinary shares in the capital of the Bank ("ordinary shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of ordinary shares to be issued pursuant to this Resolution (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of ordinary shares to be issued other than on a *pro rata* basis to shareholders of the Bank (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) above, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:
  - (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

## Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Co. Registration No. 193200032W

- (3) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and
- (4) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

(b) That authority be and is hereby given to the Directors of the Bank to:

- (I) offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"); and
- (II) allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of options under the 2001 Scheme and/or such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of rights to subscribe for ordinary shares under the Plan,

provided that the aggregate number of new ordinary shares to be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time.

(c) That:

(I) authority be and is hereby given to the Directors of the Bank to:

- (i) allot and issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options that might or would require preference shares referred to in sub-paragraph (i) above or non-voting shares to be issued, not being ordinary shares to which the authority referred to in Resolution 6(a) above relates,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above or non-voting shares in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and

- (II) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

### PETER YEOH

Secretary

Singapore

26 March 2008

#### Notes:

A member of the Bank entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Bank. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Meeting.

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)  
Co. Registration No. 193200032W

Dear Members

We set out below a statement regarding the effect of the resolutions under Item 4(b) and under “Special Business” in Item 6 of the Notice of the forthcoming Annual General Meeting, namely –

The Ordinary Resolution set out in Item 4(b) authorises the Directors of the Bank to issue ordinary shares in the capital of the Bank to certain non-executive Directors as part of their remuneration for the financial year ended 31 December 2007. A non-executive Director of the Bank is only eligible for the award of ordinary shares if he has served a full annual term, that is, from 1 January to 31 December of the year preceding the award. The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for the financial year ended 31 December 2007 are Mr Michael Wong Pakshong, Mr Bobby Chin Yoke Choong, Mr Giam Chin Toon, Mr Lee Seng Wee, Dr Lee Tih Shih, Tan Sri Dato Nasruddin Bin Bahari, Professor Neo Boon Siong, Dr Tsao Yuan, Col (Ret) David Wong Cheong Fook, Mr Wong Nang Jang and Mr Patrick Yeoh Khwai Hoh.

It is proposed that, for the financial year ended 31 December 2007, 4,800 ordinary shares be issued to each non-executive Director named above. The proposed award of ordinary shares is in addition to the Directors’ fees in cash to be proposed under Item 4(a).

Dr Cheong Choong Kong and Mr Pramukti Surjaudaja, both non-executive Directors of the Bank, have each declined to accept any award of remuneration shares for the financial year ended 31 December 2007.

The issue of ordinary shares under Item 4(b) will be made pursuant to Article 140 of the Articles of Association of the Bank by way of the issue of bonus shares for which no consideration is payable. Such ordinary shares will, upon issue, rank *pari passu* with the existing ordinary shares in the capital of the Bank. The issue of such ordinary shares is also subject to the in-principle approval of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of such ordinary shares. Such approval in-principle from the SGX-ST was given on 25 January 2008 subject to (a) specific Shareholders’ approval being obtained for the proposed issue of such ordinary shares to the non-executive Directors pursuant to the relevant requirements of the Listing Manual of the SGX-ST, and (b) abstention from voting by the non-executive Directors and their associates on the proposed issue of such ordinary shares. The SGX-ST’s approval in-principle is not an indication of the merits of the proposed issue of such ordinary shares.

The non-executive Directors who will each, subject to Shareholders’ approval, be awarded 4,800 ordinary shares as part of their remuneration for the financial year ended 31 December 2007, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, the Ordinary Resolution set out in Item 4(b), being the Ordinary Resolution relating to the proposed issue of ordinary shares to each of them respectively to be proposed at the forthcoming Annual General Meeting.

### Special Business

The Ordinary Resolution set out in Item 6(a) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares in the capital of the Bank and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to a number not exceeding fifty per cent. (50%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares, with a sub-limit of twenty per cent. (20%) for issues other than on a *pro rata* basis to Shareholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares in the capital of the Bank will require Shareholders’ approval. The Directors will only issue ordinary shares under this Resolution if they consider it necessary and in the interests of the Bank. As announced on 21 February 2008, the Bank is proposing to issue convertible Tier 2 notes (the “Notes”), and to offer the Notes for subscription to, *inter alia*, its ordinary shareholders, subject to finalisation of the terms of the Notes and such regulatory approvals as may be required. The Bank will issue the Notes, and allot and issue new ordinary shares in the capital of the Bank upon the conversion of such Notes, pursuant to this Resolution, if the proposed issue of the Notes is proceeded with.

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)  
Co. Registration No. 193200032W

The Ordinary Resolution set out in Item 6(b) authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the “2001 Scheme”) and/or to grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the “Plan”), and to allot and issue ordinary shares under the 2001 Scheme and the Plan. Although the Rules of the 2001 Scheme provide that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme shall not exceed 10 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, and the Rules of the Plan provide that the aggregate number of new ordinary shares which may be issued pursuant to the Plan, when aggregated with the aggregate number of new ordinary shares which may be issued pursuant to the OCBC Executives’ Share Option Scheme 1994 and the 2001 Scheme, shall not exceed 15 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, the Ordinary Resolution set out in item 6(b) provides for a lower limit, namely, that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time, as the Bank does not anticipate that it will require a higher limit before the next Annual General Meeting.

The Ordinary Resolution set out in Item 6(c) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank and/or to make or grant offers, agreements or options that might or would require such preference shares or non-voting shares to be issued. The Directors will only issue such preference shares or non-voting shares under this Resolution if they consider it necessary and in the interests of the Bank.

**PETER YEOH**

Secretary

Singapore

26 March 2008

Notes

# Proxy Form

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)  
Co. Registration No. 193200032W

### IMPORTANT

1. If you have purchased Ordinary Shares using your CPF funds or hold non-cumulative non-convertible preference shares in the capital of the Bank, this Annual Report is forwarded to you for your information only and this Proxy Form is not valid for use by you.
2. CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. Any voting instructions must also be submitted to their CPF Approved Nominees within the time frame specified to enable them to vote on the CPF investor's behalf.

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a shareholder/shareholders of the abovenamed Bank, hereby appoint

Name	Address	NRIC/Passport No	Proportion Of Shareholdings (%)

and/or (delete as appropriate)

--	--	--	--

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Bank to be held at Raffles City Convention Centre, Level 4, Canning Room, 2 Stamford Road, Singapore 178882, on 17 April 2008 at 2.30 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
1.	Adoption of Reports and Accounts		
2.	(a) Re-appointment of Directors under Section 153(6) of the Companies Act, Cap. 50	(i) Mr Lee Seng Wee	
		(ii) Mr Patrick Yeoh Khwai Hoh	
	(b) Re-election of Directors retiring by rotation	(i) Dr Cheong Choong Kong	
		(ii) Dr Lee Tih Shih	
	(iii) Professor Neo Boon Siong		
	(iv) Mr Wong Nang Jang		
3.	Approval of final dividend		
4.	(a) Approval of amount proposed as Directors' Fees in cash for the financial year ended 31 December 2007		
	(b) Approval of allotment and issue of ordinary shares to certain non-executive Directors as part of their remuneration for the financial year ended 31 December 2007		
5.	Appointment of Auditors and fixing their remuneration		
6.	Special Business	(a) Authority to allot and issue ordinary shares (General Share Issue Mandate)	
		(b) Authority to grant options and/or rights to subscribe for ordinary shares and allot and issue ordinary shares (OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan)	
		(c) Authority to allot and issue preference/non-voting shares (Preference/Non-Voting Share Issue Mandate)	

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

<b>Total Number of Ordinary Shares Held</b>

\_\_\_\_\_  
Signature(s) of Shareholder(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

NOTES:

1. Please insert the total number of ordinary shares ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. An ordinary shareholder ("Shareholder") of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Shareholder of the Bank.
3. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.
7. The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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**Oversea-Chinese Banking Corporation Limited**  
c/o M & C Services Private Limited  
138 Robinson Road #17-00  
The Corporate Office  
Singapore 068906

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## Request for Chinese Annual Report

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Co. Registration No. 193200032W

Please send me/us\* a Chinese version of the OCBC Bank 2007 Annual Report.

Name: \_\_\_\_\_

Unit No.: \_\_\_\_\_

Block No.: \_\_\_\_\_

Building Name: \_\_\_\_\_

Street Name: \_\_\_\_\_

Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

\* Please delete where appropriate.



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The Company Secretary  
**Oversea-Chinese Banking Corporation Limited**  
65 Chulia Street #08-00  
OCBC Centre  
Singapore 049513

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Notes

Notes



**Oversea-Chinese Banking Corporation Limited**  
(Incorporated in Singapore)

Co.Reg.no.: 193200032W



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