BUILDING ON OUR CORPORATE STRATEGY FOR SUSTAINABLE GROWTH

OCBC Bank

ANNUAL REPORT 2017

CONTENTS

OUR PURPOSE

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

OUR 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.

OUR CORPORATE STRATEGY

DEEPEN PRESENCE IN CORE MARKETS

A leading, well-diversified Asian financial services group with a broad geographical footprint in North and Southeast Asia, well-positioned to ride on global mega trends to deliver sustainable business growth. A resilient and responsible business that generates long-term value for customers, employees, investors and the community.

KEY GLOBAL MEGA TRENDS SHAPING ASIA'S GROWTH

Growing Intra-Asia Trade and Cross-Border Capital Flows

Rising Asian Wealth

Urbanisation and Continued Rise of SMEs in Asia

Increasing Economic Presence of China

Advancements in Technology

CORE MARKETS

SINGAPORE
Dominant market position at home

MALAYSIA
Entrenched and well-established banking and insurance franchise

INDONESIA
Extensive national presence with comprehensive financial services offering

GREATER CHINA
Strong presence with dominance in cross-border trade, wealth and capital flows

CORE BUSINESSES

- **BANKING**
  Comprehensive retail and commercial banking franchise across well-connected business and geographical network
- **WEALTH MANAGEMENT**
  "Asia's Global Private Bank" with integrated regional and wealth platform, across private banking, premier banking, bancassurance, securities and asset management
- **INSURANCE**
  Leading insurance presence in Singapore and Malaysia, and growing franchise in Indonesia

CORE COMPETENCIES

- DISCIPLINED RISK MANAGEMENT
- DIVERSIFIED FUNDING BASE
- INVESTMENT IN TECHNOLOGY AND PEOPLE

SUSTAINABLE BUSINESS PRACTICES

- FAIR DEALING
- RESPONSIBLE FINANCING
- STRONG GOVERNANCE
- COMMUNITY DEVELOPMENT
- INCLUSIVE WORKPLACE

OUR WELL-DIVERSIFIED BUSINESS

We offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

Our diversified businesses across 18 countries and regions serve more than 9 million customers, comprising over 5 million banking customers and more than 4 million insurance policy holders.

MORE THAN
29,000
EMPLOYEES

OVER
600
BRANCHES AND REPRESENTATIVE OFFICES IN
18
COUNTRIES AND REGIONS

MORE THAN
9M
CUSTOMERS

S$455B
TOTAL ASSETS

S$51.9B
MARKET CAPITALISATION

S$4.1B
NET PROFIT

11.2%
RETURN ON EQUITY

AA-
FITCH

Aa1
MOODY'S

AA-
S&P

OUR BRANDS

OCBC Bank

OCBC Securities

OCBC Al-Amin

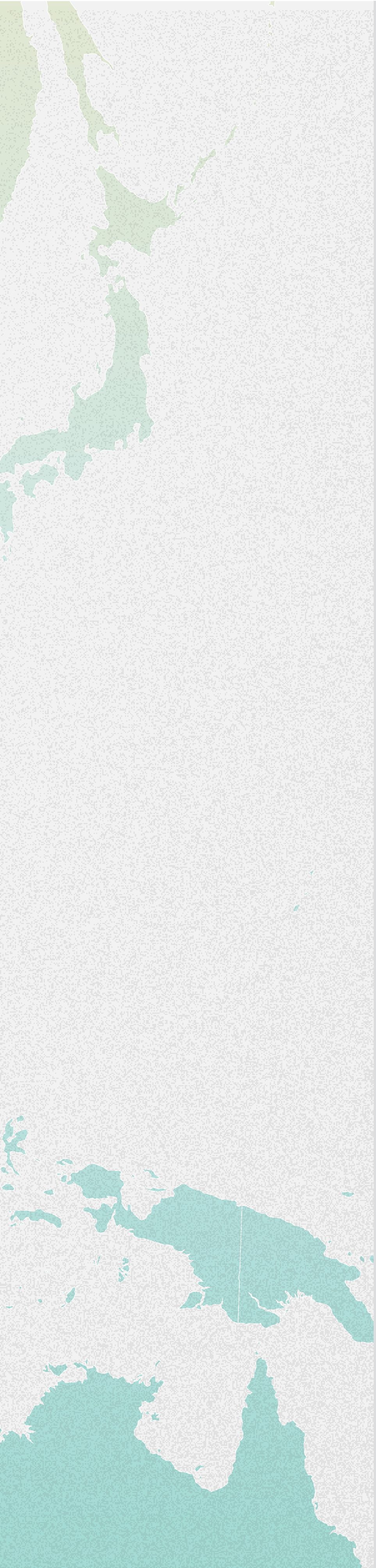
OCBC NISP

OCBC WING HANG

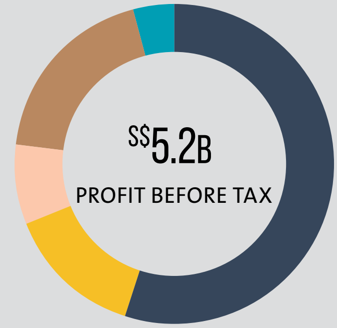
BANK OF SINGAPORE

Great Eastern
A member of the OCBC Group

LION GLOBAL INVESTORS



BROAD-BASED GROWTH ACROSS OUR CORE MARKETS



- Singapore
- Malaysia
- Indonesia
- Greater China
- Other network markets

Our four core markets generate substantial business for us in our other network markets.

SUSTAINED EARNINGS MOMENTUM FROM OUR CORE BUSINESSES

+19%
NET PROFIT

+8%
GROSS LOANS TO CUSTOMERS

+43%
WEALTH MANAGEMENT INCOME

+14%
GREAT EASTERN HOLDINGS EMBEDDED VALUE

DEMONSTRATED STRENGTHS IN OUR CORE COMPETENCIES

DISCIPLINED RISK MANAGEMENT

1.5%
NON-PERFORMING LOANS RATIO

>300%
ALLOWANCE COVERAGE RATIO FOR UNSECURED NON-PERFORMING ASSETS

DIVERSIFIED FUNDING BASE

78%
PROPORTION OF FUNDING BASE DERIVED FROM CUSTOMER DEPOSITS

49.2%
PROPORTION OF CUSTOMER DEPOSITS COMPRISING CURRENT ACCOUNT AND SAVINGS DEPOSITS

INVESTMENT IN TECHNOLOGY AND PEOPLE

7.9
AVERAGE MAN DAYS OF TRAINING PER EMPLOYEE

+31%
INVESTMENT IN TRAINING

11.3%
PROPORTION OF TOTAL EXPENSES INVESTED IN TECHNOLOGY

AT THE FOREFRONT OF FINTECH INNOVATION IN SINGAPORE

First
TRANSACTIONAL API
for instant GIRO setup

First AI-powered
HOME LOANS CHATBOT
"Emma"

First
"WE ECONOMY"
in Singapore formed with StarHub partnership

First AI-powered
HR CHATBOT
for employees

First
FACIAL RECOGNITION FEATURE
for individuals and businesses to access mobile banking services

Among the first to tap AI and machine learning in transaction monitoring to
ENHANCE DETECTION OF SUSPICIOUS ACTIVITY

MESSAGE FROM CHAIRMAN AND CEO

from left

Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ooi Sang Kuang
Chairman

2017 marked the 85th anniversary of OCBC Bank's incorporation in 1932. We are delighted to celebrate this occasion with you and are indeed proud to share our rich heritage. Through the many decades, OCBC's solid reputation as a trusted financial institution was built on prudence, integrity, trustworthiness and our steadfast commitment to delivering long-term value for our customers, employees, shareholders and the community. These values are the foundations that have anchored our conduct and sustained our growth and accomplishments.

This year's Annual Report presents a new format to reflect our ongoing efforts to provide readers with a more succinct yet comprehensive document that concisely sets out our values, corporate strategy, achievements and plans for the future.

2017 YEAR IN REVIEW

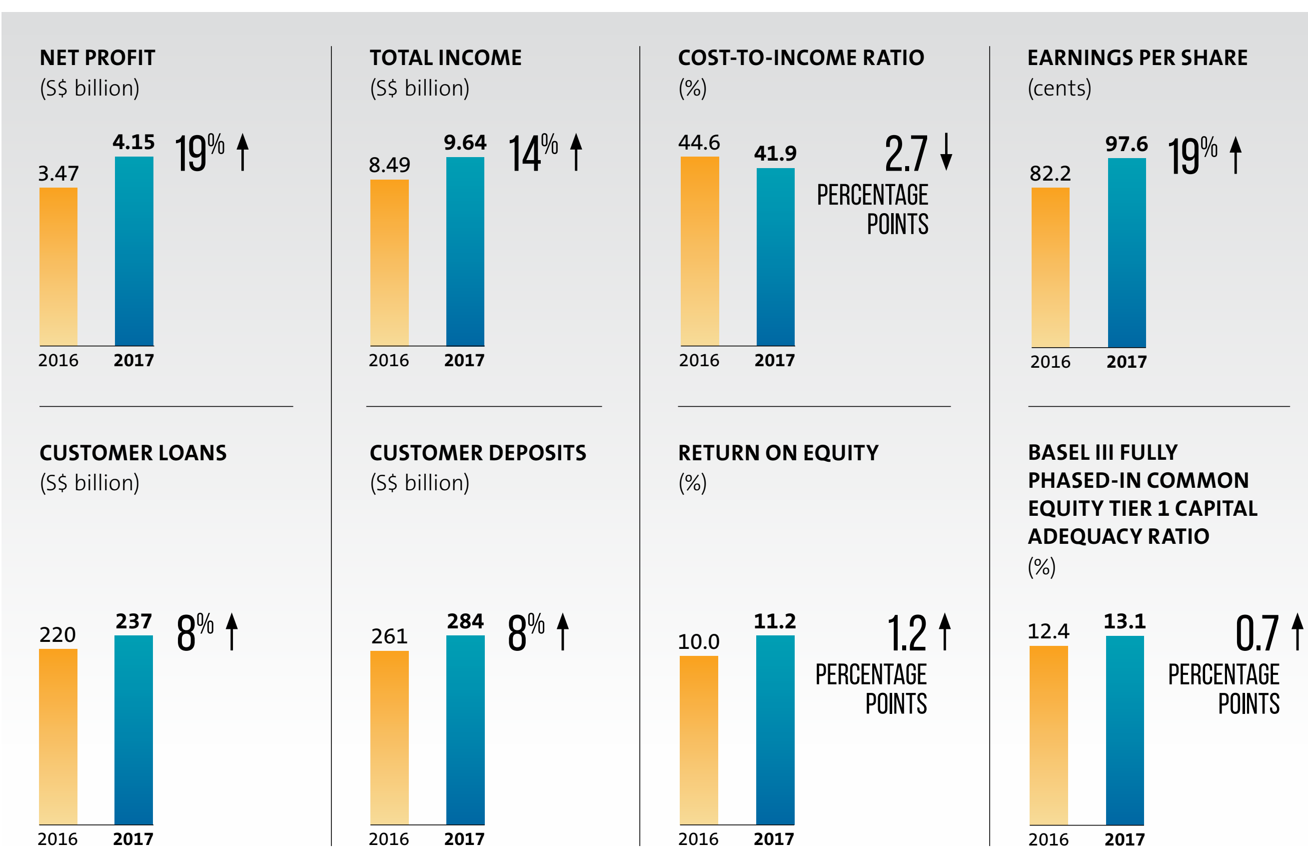
Global economic and financial conditions turned out better than expected in 2017. We began the year on a cautious note with the global economy confronted with many uncertainties arising from the threats of protectionism, the possibility of slower growth in the major economies, the uncertain pace of monetary tightening in the United States and heightened geopolitical tensions in Asia. However, as the year progressed, global growth gathered strength across the major developed and emerging economies while inflation remained benign. The threat of protectionism retreated, while political posturing remained within safe boundaries. In short, stronger growth and a gradual pace of monetary normalisation were strong drivers for the pickup in risk-taking and consumer confidence. Around the world, equity markets responded with stellar performances.

Closer to home, GDP growth surprised on the upside for most Asian countries. The economies of our key regional markets, namely Greater China, Malaysia and Indonesia, all recorded favourable performances. Singapore's economy did well with GDP growth at 3.6%, led by strong exports and output in the manufacturing and services sectors.

Our strong results reaffirmed the soundness of OCBC's long-term corporate strategy and demonstrated the strength and resilience of our diversified franchise and extensive capabilities that we have built over 85 years. For the financial year ended 2017, OCBC Group net profit after tax rose 19% to a new high of S$4.15 billion, driven by our key pillars of banking, wealth management and insurance. All delivered robust performances.

DIVIDENDS

The Board has recommended a final tax-exempt dividend of 19 cents per share, an increase from the previous year's 18 cents per share, bringing the total full-year 2017 dividend to 37 cents per share, which was above the 36 cents per share of 2016. This translated to a dividend payout ratio of 37% of our core earnings. Our approach to dividends is one where dividend payments are sustainable and predictable, and where we retain sufficient capital for long-term growth and new market opportunities.



Please refer to Management Discussion and Analysis on page 134.

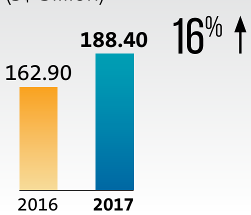
SUPERIOR AND DIFFERENTIATED CUSTOMER EXPERIENCE ACROSS OUR THREE CORE BUSINESSES

OCBC's three core pillars of banking, wealth management and insurance provide our more than 9 million customers with a comprehensive suite of financial solutions to support them in their growth journey across different life stages.

CONSUMER BANKING/WEALTH MANAGEMENT

Our consumer banking and wealth management business offers customers access to a broad range of useful, suitable and affordable financial products and services. In 2017, the Group saw broad-based growth across the franchise and we worked tirelessly to improve the customer experience across every channel.

ASSETS UNDER MANAGEMENT
(S$ billion)



NO. 1
BANCASSURANCE MARKET SHARE IN SINGAPORE

SERVING
8 IN 10
FAMILIES WITH CHILD DEVELOPMENT ACCOUNTS IN SINGAPORE

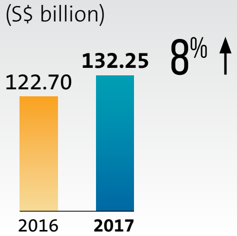
HIGHEST NUMBER OF SERVICE EXCELLENCE AWARD WINNERS
3rd consecutive year
Excellent Service Award (EXSA) for financial industry

Please refer to Serving Individuals through Different Life Stages on page 22.

COMMERCIAL/CORPORATE BANKING

In commercial and corporate banking, we continued to be the bank of choice for both established and emerging enterprises and saw strong year-on-year business growth. We are a leading bank to the small and medium-sized enterprises (SMEs) in Singapore, and our large corporate customers are served with our broad range of lending, treasury and funding solutions.

CORPORATE LOANS
(S$ billion)



1 IN 2
SMEs IN SINGAPORE BANK WITH US

NO. 1 LEAGUE TABLE RANKING FOR MALAYSIA SYNDICATED LOANS

NO. 2 LEAGUE TABLE RANKING FOR SINGAPORE DOLLAR BONDS

ASIA'S BEST BANK FOR SMEs
2nd consecutive year
Euromoney Awards for Excellence

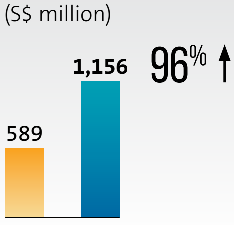
Please refer to Supporting the Full Spectrum of Businesses in Their Growth Journey on page 26.

INSURANCE

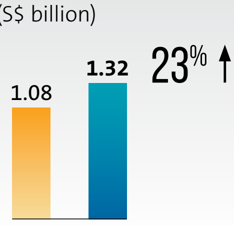
Our insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its emphasis on improving the customer experience and delivering innovative services and products contributed to robust underlying insurance business growth in 2017. The partnership between Great Eastern Holdings and the rest of the OCBC Group has allowed us to draw on our collective strengths to jointly develop new products and services that match the lifestyle and needs of our customers.

GREAT EASTERN HOLDINGS

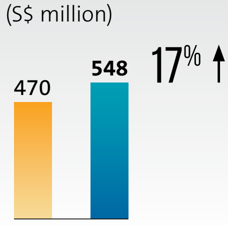
NET PROFIT
(S$ million)



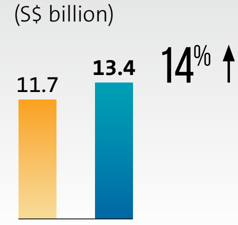
TOTAL WEIGHTED NEW SALES
(S$ billion)



NEW BUSINESS EMBEDDED VALUE
(S$ million)



EMBEDDED VALUE
(S$ billion)



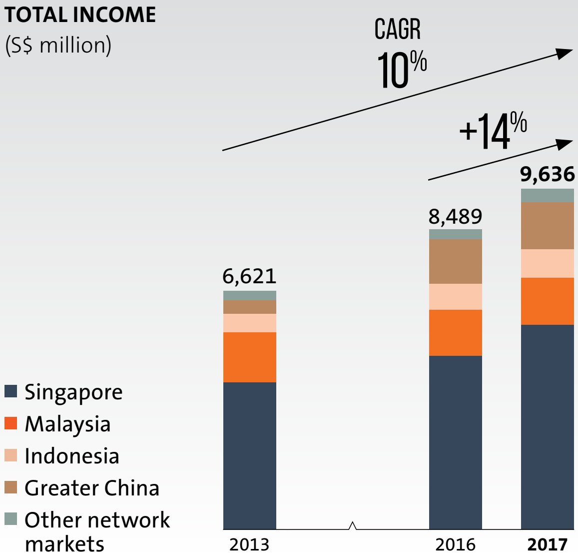
DEEPENING PRESENCE IN OUR FOUR CORE MARKETS

In our core markets of Singapore, Malaysia, Indonesia and Greater China, we made significant progress in deepening our reach and capabilities to deliver sustainable and scalable business growth that is consistent with our corporate strategy. In May 2017, we grew our wealth management footprint in Indonesia with the launch of onshore private banking services under PT Bank OCBC NISP Tbk. In November 2017, we successfully completed the acquisition of National Australia Bank's Private Wealth business in Singapore and Hong Kong.

We continued to build upon our strong foundation in Greater China, where we have more than 100 branches and offices in China, Hong Kong and Macao under OCBC Wing Hang. We expanded our presence in the Guangdong-Hong Kong-Macao Greater Bay Area to facilitate inbound and outbound business flows between the Greater Bay Area and the rest of the OCBC network, as well as to support customer activities within the Greater Bay Area. Following a successful decade of partnership with our 20%-owned associated company Bank of Ningbo, we signed another 10-year comprehensive strategic agreement that will focus on greater collaboration for our onshore and offshore initiatives.

Outside our core markets, we continued to invest in growing our business in our network markets. Our private banking subsidiary, Bank of Singapore, opened a new branch in the Dubai International Financial Centre to capture the large potential in the Middle East.

TOTAL INCOME
(S$ million)



ASEAN SME BANK OF THE YEAR

7th consecutive year
Asian Banking & Finance Awards

OUTSTANDING PRIVATE BANK – ASIA PACIFIC REGIONAL PLAYER

Bank of Singapore
Private Banker International Awards

Mr Lee Hsien Loong, the Prime Minister of Singapore (far left), and Mr Samuel Tsien, OCBC Bank Group CEO (second from left), officially unveiled the name of our newly constructed building in Xiamen, China, at a ceremony in September 2017. The building is deeply significant to us, as Xiamen was the city where we first established our presence in China in 1925.
Photo: Lianhe Zaobao © Singapore Press Holdings Limited

POSITIONING FOR THE FUTURE WITH CONFIDENCE

Our long-term strategy and deep-seated core values have positioned us to adapt well to an ever-evolving operating environment. To drive sustainable growth, we will continue to expand our network capabilities, invest for the future and remain alert to capturing opportunities as they arise.

COMMITMENT TO CORPORATE VALUES

The Board of Directors champions the highest standards of governance, which are the foundation of our long-term success. Strong board oversight and stewardship, a comprehensive compliance and risk framework, and a zero-tolerance stance on fraud, bribery and corruption ensure that the trust our stakeholders have placed in us is safeguarded. As a respected financial institution, we will continue to make the best use of our capabilities and resources to deliver a positive contribution to our stakeholders and the broader community by operating responsibly and with integrity.

Mr Teo Chee Hean, Deputy Prime Minister of Singapore and Coordinating Minister for National Security (centre), was invited to tour an exhibition at OCBC Centre in October 2017 with Mr Ooi Sang Kuang, OCBC Bank Chairman (right), and Mr Samuel Tsien, OCBC Bank Group CEO. The exhibition was based on "Wind behind the Sails: The story of the people and ethos of OCBC", a book that charts OCBC Bank's 85-year history and brings to life how our people and values have guided the Bank through its defining moments over the generations.

LEVERAGING GROUP SYNERGIES THROUGH STRONG COLLABORATION AND NETWORK OPTIMISATION

Our unique business franchise and wide network connectivity have fostered a strong culture of collaboration among the OCBC Group, which empowers us to provide customers with comprehensive financial solutions across businesses and markets. We will continue to build on our capabilities to further capitalise on the deepening economic and financial integration in Asia and the strong synergies across the OCBC Group to sustain superior business development, growth and profitability.

DELIVERING VALUE THROUGH DIGITAL TRANSFORMATION

We have invested heavily in technology to improve the customer experience with our industry-leading digital channels, technology platforms and our many first-to-market digital banking solutions. This approach has positioned us at the forefront of our customers' minds even as their needs and preferences evolve. We will continuously seek to harness big data technologies, predictive analytics, artificial intelligence and machine learning to create new opportunities, improve customer experience, increase efficiency and enhance our risk management and cybersecurity infrastructure. OCBC is active in the technology community and collaborates closely with external fintech companies through our home-grown fintech and innovation unit, *The Open Vault at OCBC*. We also further promote the incubation of our internal employee ideas at our expanded Innovation Lab.

11.3%
PROPORTION OF TOTAL EXPENSES INVESTED IN TECHNOLOGY

+73%
BUSINESS MOBILE BANKING CUSTOMERS

S$100M
SINGAPORE HOME LOANS SECURED BY AI-POWERED CHATBOT "EMMA"

MORE THAN
800
FINTECH COMPANIES ENGAGED BY *THE OPEN VAULT AT OCBC*

CREATING THE WORKFORCE OF THE FUTURE

Our continued success would not have been possible without the dedication and diligence of our highly-engaged employees, who have delivered outstanding performance on a consistent basis. We refreshed our Employer Brand in 2017, firmly declaring our obligation to care for our employees, invest in their development and make a meaningful difference for them. Reinforcing this commitment to create a diverse and inclusive workplace, we will continue to reskill and upskill our employees to prepare them for a rapidly transforming landscape.

MORE THAN
29,000
EMPLOYEES CONTINUOUSLY RESKILLING AND UPSKILLING

MORE THAN
3,200
TRAINING AND DEVELOPMENT PROGRAMMES

7.9
AVERAGE MAN DAYS OF TRAINING PER EMPLOYEE

BEST EMPLOYER
Singapore and Malaysia
Aon Best Employers Programme

OPERATING SUSTAINABLY AND SUPPORTING COMMUNITIES

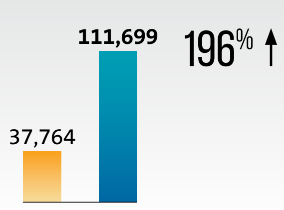
OCBC is dedicated to promoting sustainable and responsible practices to positively impact our stakeholders and the wider community. We are proud to introduce our inaugural Sustainability Report that documents our consideration of and approach towards sustainability issues. This is consistent with the requirements (Listing Rules 711A and 711B) set by the Singapore Exchange.

Please refer to Sustainability Report on page 42.

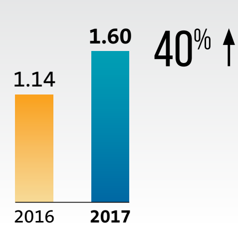
Giving back to society is a key pillar of OCBC's corporate culture. We actively engage and support the communities in which we operate. In March 2017, we launched the #OCBCCares Programme, extending our assistance to a broader segment of the community by way of funding and staff volunteerism, and championing causes that include care for children and youths, the elderly and special needs persons. In Singapore, we also launched the #OCBCCares Fund for the Environment in July 2017, committing full funding for ground-up projects that enhance environmental sustainability.

Please refer to #OCBCCares Programme on page 34.

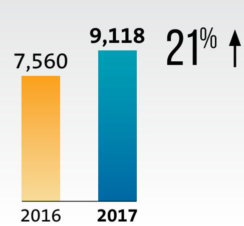
NUMBER OF BENEFICIARIES HELPED



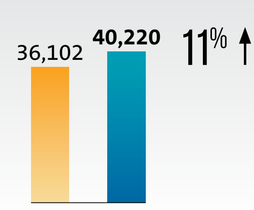
AMOUNT DONATED
(S$ million)



NUMBER OF VOLUNTEERS



NUMBER OF VOLUNTEER HOURS



MESSAGE FROM CHAIRMAN AND CEO

OUTLOOK

Looking ahead, the strong momentum of growth in the global and regional economies is expected to carry into 2018, possibly at a more moderate pace. Rising business and consumer confidence globally is expected to increase investment activity, lift consumer spending and drive trade expansion. The ASEAN economies are key beneficiaries of the expansion in global trade and deeper Asian economic integration, while China's Belt and Road Initiative is expected to spur infrastructure development in the region.

There are, however, possible developments that could potentially derail the positive near-term growth prospects. The key risks that could trigger a sharp reversal of the current optimism include large and disorderly adjustments to financial markets arising from a higher-than-expected rise in inflation and central banks hastening the pace of monetary tightening. Some threats of protectionism have been translated into action in early 2018, and risks remain high that these could spread during the year. In Asia, overly aggressive geopolitical posturing poses the risk of possible miscalculations and erosion of confidence.

Overall and on balance, the pickup in economic and financial activities is favourable for financial services. While possible surprises could undermine the current mood, OCBC is well-positioned to participate in Asia's growth story – which remains relevant and sound in the medium to longer term. The steady execution of our corporate strategy has made us a well-diversified and progressive financial institution with an increasingly strong presence in key and expanding economies and businesses. We will build on our solid foundations and further strengthen our long-term fundamentals by investing in our brand, network, people, systems and technology. Needless to say, we will continue to enhance our risk management processes and framework. We are confident that OCBC's financial strength, commitment to customer service and sound business management practices will enable us to deliver sustainable and increasing value to our stakeholders.

ACKNOWLEDGEMENTS

On behalf of the Board, our thanks go to the management team and all our staff for their dedication and efforts that contributed to OCBC's outstanding 2017 performance. We would also like to express our gratitude to our fellow Board members for their valuable insight and guidance. The Board extends a warm welcome to Mr Chua Kim Chiu, who joined the Board on 20 September 2017 as an independent director. Mr Chua possesses a strong audit, accounting and financial background. Dr Teh Kok Peng, who had served on the Board of Directors since 1 Aug 2011, stepped down on 1 July 2017 and we thank him for his contributions during his six years as a valued member of the Board.

We have journeyed far since our humble beginnings in the face of challenging times 85 years ago. The success we have built and sustained validates our long-term approach to business and our focus on building steadfast relationships that have withstood frequent swings in business cycles. It is also proof of our demonstrated ability to adapt to shifts in markets, technological advancements and evolving customer needs. However, we could not have achieved our accomplishments without the unwavering confidence, support and loyalty of our customers, employees and shareholders. Thank you for sharing this rewarding journey with OCBC.

Ooi Sang Kuang
Chairman

14 February 2018

Samuel N. Tsien
Group Chief Executive Officer

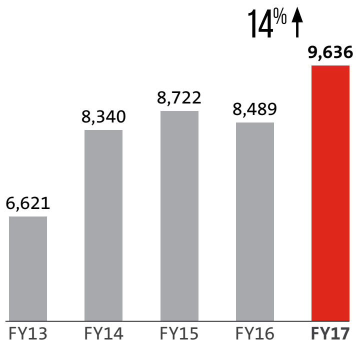
FINANCIAL HIGHLIGHTS

Group Five-Year Financial Summary

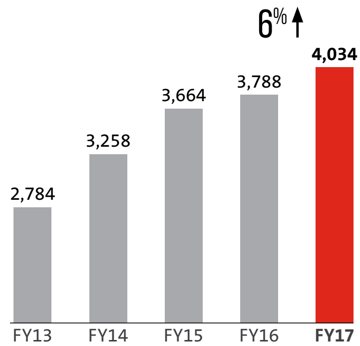
Financial year ended 31 December	2017	2016	2015	2014	2013
Income statements (S$ million)					
Total income	**9,636**	8,489	8,722	8,340	6,621
Operating expenses	**4,034**	3,788	3,664	3,258	2,784
Operating profit	**5,602**	4,701	5,058	5,082	3,837
Amortisation of intangible assets	**104**	96	98	74	58
Allowances for loans and impairment of other assets	**671**	726	488	357	266
Profit before tax	**5,216**	4,275	4,825	4,763	3,567
Profit attributable to equity holders of the Bank	**4,146**	3,473	3,903	3,842	2,768
Cash basis profit attributable to equity holders of the Bank (1)	**4,250**	3,569	4,001	3,916	2,826
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**234,141**	216,830	208,218	207,535	167,854
Non-bank customer deposits	**283,642**	261,486	246,277	245,519	195,974
Total assets	**454,938**	409,884	390,190	401,226	338,448
Assets, excluding life assurance fund investment assets	**381,011**	347,911	333,207	343,940	285,043
Total liabilities	**413,162**	370,242	353,079	367,041	310,369
Ordinary shareholders' equity	**37,509**	35,507	33,053	29,701	23,720
Total equity attributable to the Bank's shareholders	**39,008**	37,007	34,553	31,097	25,115
Per ordinary share					
Basic earnings (cents) (2)	**97.6**	82.2	95.3	102.5	75.9
Cash earnings (cents) (1) (2)	**100.0**	84.5	97.6	104.5	77.6
Net interim and final dividend (cents) (3)	**37.0**	36.0	36.0	36.0	34.0
Net asset value (S$) (2)					
Before valuation surplus	**8.96**	8.49	8.03	7.46	6.99
After valuation surplus	**11.33**	10.03	9.59	9.53	8.25
Ratios (%)					
Return on ordinary shareholders' equity	**11.2**	10.0	12.3	14.8	11.6
Return on assets (4)	**1.14**	1.03	1.14	1.23	1.05
Dividend cover (times)	**2.64**	2.27	2.62	2.81	2.29
Cost to income	**41.9**	44.6	42.0	39.1	42.0
Capital adequacy ratio (5)					
Common Equity Tier 1	**13.9**	14.7	14.8	13.8	14.5
Tier 1	**14.9**	15.1	14.8	13.8	14.5
Total	**17.2**	17.1	16.8	15.9	16.3

(1) Excludes amortisation of intangible assets.
(2) Per ordinary share data for financial years prior to 2014 were after adjustment following completion of the one for eight rights issue on 26 September 2014.
(3) The Group's dividends are on a tax exempt basis.
(4) The computation of return on average assets does not include life assurance fund investment assets.
(5) The Group's capital adequacy ratios were computed based on Basel III transitional arrangements.

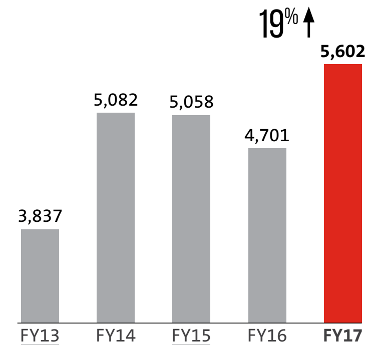
Total Income (S$ million)



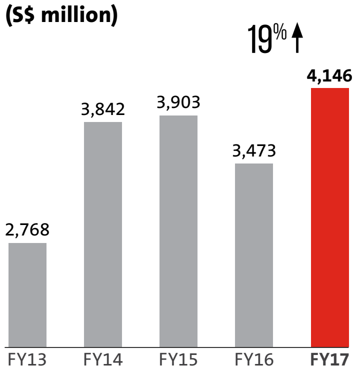
Operating Expenses (S$ million)



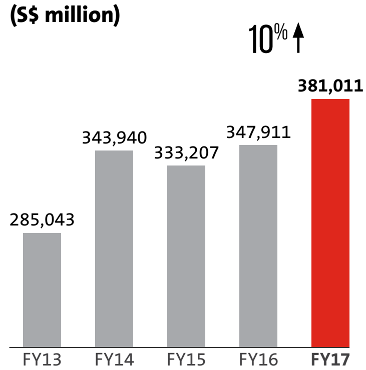
Operating Profit (S$ million)



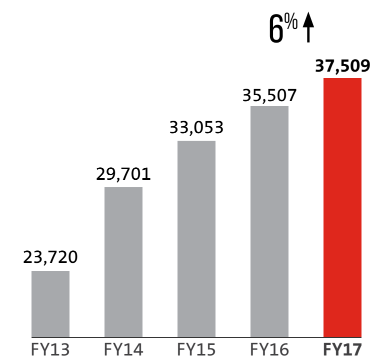
Profit Attributable to Equity Holders of the Bank (S$ million)



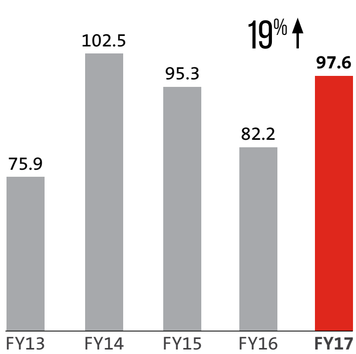
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



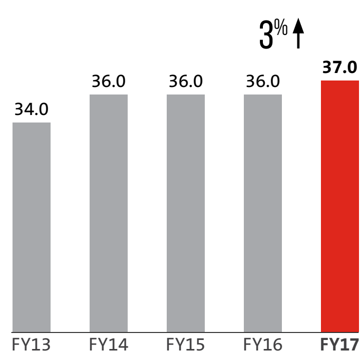
Ordinary Shareholders' Equity (S$ million)



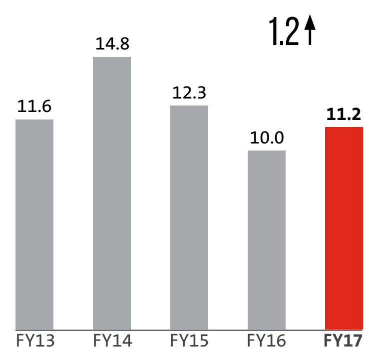
Basic Earnings Per Share (cents)



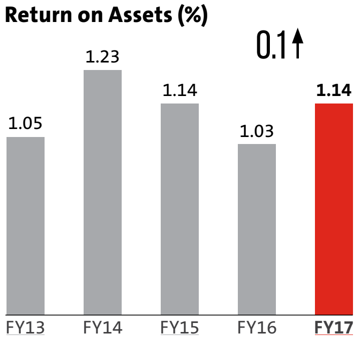
Net Dividend Per Share (cents)



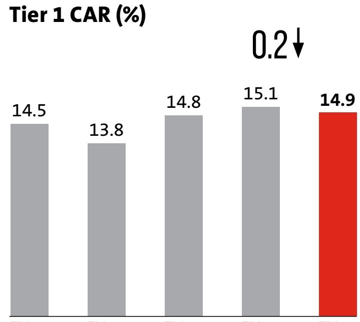
Return on Ordinary Shareholders' Equity (%)



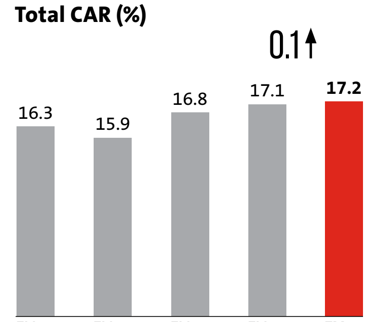
Return on Assets (%)



Tier 1 CAR (%)



Total CAR (%)



BOARD OF DIRECTORS

MR OOI SANG KUANG

Chairman
Independent director

Mr Ooi was first appointed to the Board on 21 February 2012 and last re-elected as a Director on 28 April 2015. He assumed the role of Chairman on 1 September 2014. He was Special Advisor in Bank Negara Malaysia until he retired on 31 December 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of Bank Negara Malaysia, from 2002 to 2010. Age 70.

Other Directorships and Appointments
OCBC Bank (Malaysia) Berhad, Board Chairman • OCBC Al-Amin Bank Berhad, Board Chairman • OCBC Management Services Pte Ltd, Board Director • OCBC Wing Hang Bank Ltd, Board Director • Xeraya Capital Labuan Ltd, Board Chairman • Xeraya Capital Sendirian Berhad, Board Chairman • Target Value Fund, Board Director

Directorships and Appointments for the past 3 years
Cagamas Berhad, Board Chairman • Cagamas Holdings Berhad, Board Chairman • Cagamas MBS Berhad, Board Chairman • Cagamas SRP Berhad, Board Chairman • Financial Services Talent Council, Council Member

Academic and Professional Qualifications
Bachelor of Economics (Honours), University of Malaya
Master of Arts (Development Finance), Boston University, USA
Fellow Member of the Asian Institute of Chartered Bankers

OCBC Board Committees Served On
Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Management Committee

Length of Service as a Director
6 years 1 month

MR CHUA KIM CHIU

Independent director

Mr Chua was appointed to the Board on 20 September 2017. He is a chartered accountant and currently holds the position of Professor (Practice) in Accounting, National University of Singapore (NUS) Business School. He had a long and distinguished career in PricewaterhouseCoopers (PwC) Singapore where he served as a partner from 1990, headed the banking and capital markets group as well as the China desk, and was appointed a member of the firm's leadership team in 2005. He retired in 2012, but was retained as senior advisor for PwC Hong Kong until June 2016 when he left to join NUS. Age 63.

Other Directorships and Appointments
Department of Accounting | NUS Business School | National University of Singapore, Employee; Executive Committee, Chairman; Practice/ Education Faculty Search Committee, Chairman • Institute of Singapore Chartered Accountants | Financial Reporting Committee, Chairman • National University Health System Pte Ltd | Audit and Risk Committee, Member • NUS Business School | Executive Education Advisory Board, Member

Directorships and Appointments for the past 3 years
Jurong Health Services Pte Ltd, Board Director • Accounting Standards Council, Singapore, Member • MOH Holdings Pte Ltd | Audit and Risk Committee, Member

Academic and Professional Qualifications
Bachelor of Commerce and Administration with Honours, Victoria University of Wellington, New Zealand
Bachelor of Commerce, Nanyang Technological University (formerly Nanyang University), Singapore
Fellow Chartered Accountant of Singapore
Member of Chartered Accountants Australia and New Zealand
Fellow Chartered Certified Accountant, United Kingdom

OCBC Board Committees Served On
Chairman, Audit Committee
Member, Risk Management Committee

Length of Service as a Director
7 months

MR LAI TECK POH

Independent director

Mr Lai was first appointed to the Board on 1 June 2010 and last re-appointed as a Director on 22 April 2016. He served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations and Head of Risk Management. He was Head, Group Audit prior to retiring in April 2010. Before joining OCBC Bank, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had served stints with Citibank N.A. in Jakarta, New York and London. Age 73.

Other Directorships and Appointments
AV Jennings Ltd*, Board Director • OCBC Bank (Malaysia) Berhad, Board Director • PT Bank OCBC NISP Tbk*, Board Commissioner
** Listed companies*

Directorships and Appointments for the past 3 years
OCBC Al-Amin Bank Berhad, Board Director

Academic and Professional Qualifications
Bachelor of Arts (Honours), University of Singapore

OCBC Board Committees Served On
Chairman, Risk Management Committee
Member, Audit Committee
Member, Nominating Committee

Length of Service as a Director
7 years 10 months

DR
LEE TIH SHIH

Non-executive and
non-independent director

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 28 April 2017. He is presently an Associate Professor at the Duke-NUS Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore. Age 54.

Other Directorships and Appointments
Lee Foundation, Singapore, Board Director • Selat (Pte) Ltd, Board Director • Singapore Investments (Pte) Ltd, Board Director • Duke-NUS Medical School (Singapore), Employee

Directorships and Appointments for the past 3 years
Nil

Academic and Professional Qualifications
MBA with Distinction, Imperial College, London
MD and PhD, Yale University, New Haven
Fellow, Royal College of Physicians of Edinburgh

OCBC Board Committees Served On
Member, Executive Committee
Member, Nominating Committee

Length of Service as a Director
15 years

MS
CHRISTINA ONG

Independent director

Ms Ong was appointed to the Board on 15 February 2016 and elected as a Director on 22 April 2016. She is Co-Chairman and Senior Partner of Allen & Gledhill LLP as well as the Co-Head of its Financial Services Department. Ms Ong is a lawyer and she provides corporate and corporate regulatory and compliance advice, particularly to listed companies. Her areas of practice include banking and securities. Age 66.

Other Directorships and Appointments
Allen & Gledhill LLP, Co-Chairman and Senior Partner • Allen & Gledhill Regulatory & Compliance Pte Ltd, Board Director • Eastern Development Holdings Pte Ltd, Board Director • Eastern Development Pte Ltd, Board Director • Epimetheus Ltd, Board Director • SIA Engineering Company Ltd*, Board Director • Singapore Telecommunications Ltd*, Board Director • Trailblazer Foundation Ltd, Board Director • Catalist Advisory Panel, Member • Singapore Tourism Board, Board Member • The Stephen A Schwarzman Scholars Trust, Trustee
**Listed companies*

Directorships and Appointments for the past 3 years
Nil

Academic and Professional Qualifications
Bachelor of Laws (Second Upper Class Honours), University of Singapore
Member, Law Society of Singapore
Member, International Bar Association

OCBC Board Committees Served On
Member, Audit Committee
Member, Remuneration Committee

Length of Service as a Director
2 years 2 months

MR
QUAH WEE GHEE

Independent director

Mr Quah was first appointed to the Board on 9 January 2012 and last re-elected as a Director on 28 April 2017. He began his career at IBM and in 1987, joined the Government of Singapore Investment Corporation (GIC), where he last held the position of President of Public Markets. He also served as a Director of GIC and was the Managing Director and President of GIC Asset Management Pte Ltd from 2007 to 2011. Age 57.

Other Directorships and Appointments
Avanda LLP Singapore, Partner/ Managing Member • Avanda Investment Management Pte Ltd, Executive Director • Bank of Singapore Ltd, Board Director • Cypress Holdings Pte Ltd, Board Director • Grand Alpine Enterprise Ltd, Board Director • Great Eastern General Insurance Ltd, Board Director • The Great Eastern Life Assurance Co Ltd, Board Director • MOH Holdings Pte Ltd | Investment and Evaluation Committee, Chairman • Wah Hin & Company (Pte) Ltd | Investment Committee, Advisor

Directorships and Appointments for the past 3 years
EDBI Pte Ltd, Board Director •
Singapore Exchange Ltd, Board Director

Academic and Professional Qualifications
Bachelor of Engineering (Civil), National University of Singapore
Chartered Financial Analyst
Alumni Member of the Stanford Graduate Business School

OCBC Board Committees Served On
Member, Executive Committee
Member, Remuneration Committee

Length of Service as a Director
6 years 3 months

MR
PRAMUKTI SURJAUDAJA

Non-executive and non-independent director

Mr Pramukti was first appointed to the Board on 1 June 2005 and last re-elected as a Director on 22 April 2016. He has been with PT Bank OCBC NISP Tbk for 30 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Age 55.

Other Directorships and Appointments
PT Bank OCBC NISP Tbk*, Board President Commissioner • PT Bio Laborindo Makmur Sejahtera, Board Commissioner • Indonesian Overseas Alumni | Board of Supervisors, Deputy Chairman • Insead, Southeast Asia, Council Member • Karya Salemba Empat Foundation | Board of Trustees, Member • Parahyangan Catholic University | Board of Advisors, Member
** Listed company*

Directorships and Appointments for the past 3 years
SBR Capital Ltd, Board Director • President University | Board of Trustees, Member

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 Committee Served On
Member, Risk Management Committee

Length of Service as a Director
12 years 10 months

MR
TAN NGIAP JOO

Independent director

Mr Tan was first appointed to the Board on 2 September 2013 and last re-elected as a Director on 22 April 2016. He had a long career of 37 years as a banker. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia and postings overseas prior to joining the OCBC Group in August 1990, where he held senior positions over the years, including Chief Executive of OCBC's Australian operations, and Head, Group Business Banking and was appointed Deputy President in December 2001. He retired in December 2007. Age 72.

Other Directorships and Appointments
China Fishery Group Ltd*, Board Director • Mapletree Logistics Trust Management Ltd, Board Director • OCBC Al-Amin Bank Berhad, Board Director • OCBC Bank (Malaysia) Berhad, Board Director • Mapletree India China Fund Ltd | Investment Committee, Chairman
** Listed company*

Directorships and Appointments for the past 3 years
Banking Computer Services Pte Ltd, Board Chairman •United Engineers Ltd, Board Chairman • BCS Information Systems Pte Ltd, Board Director • Tan Chong International Ltd, Board Director • Breast Cancer Foundation | Executive Committee • Member

Academic and Professional Qualifications
Bachelor of Arts, University of Western Australia

OCBC Board Committees Served On
Chairman, Nominating Committee
Member, Audit Committee
Member, Executive Committee
Member, Remuneration Committee

Length of Service as a Director
4 years 7 months

MR SAMUEL N. TSIEN

Group Chief Executive Officer
Executive and non-independent director

Mr Tsien was first appointed to the Board on 13 February 2014 and last re-elected as a Director on 28 April 2017. He was appointed Group Chief Executive Officer on 15 April 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 40 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Age 63.

Other Directorships and Appointments
OCBC Wing Hang Bank (China) Ltd, Board Chairman • PT Bank OCBC NISP Tbk*, Board Commissioner • Bank of Singapore Ltd, Board Director • Dr Goh Keng Swee Scholarship Fund, Board Director • Great Eastern Holdings Ltd*, Board Director • Mapletree Investments Pte Ltd, Board Director • OCBC Bank (Malaysia) Berhad, Board Director • OCBC Overseas Investments Pte Ltd, Board Director • OCBC Wing Hang Bank Ltd, Board Director • Association of Banks in Singapore, Vice Chairman • Institute of Banking & Finance Singapore, Vice Chairman, and Chairman of Standards Committee • Advisory Board of the Asian Financial Leaders Programme, Member • Financial Sector Tripartite Committee, Member • MAS Financial Centre Advisory Panel, Member and Chairman of the China Workgroup • MAS Payments Council, Member
** Listed companies*

Directorships and Appointments for the past 3 years
Asean Finance Corporation Ltd, Board Director • OCBC Al-Amin Bank Berhad, Board Director • ABS Benchmarks Administration Co Pte Ltd | Oversight Committee, Member • Advisory Council on Community Relations in Defence (ACCORD) (Employer & Business), Member • Malaysia-Singapore Business Council, Member • Singapore Business Federation | Finance & Investment Committee, Council Member

Academic and Professional Qualifications
Bachelor of Arts with Honours in Economics, University of California, Los Angeles

OCBC Board Committees Served On
Member, Executive Committee
Member, Risk Management Committee

Length of Service as a Director
4 years 2 months

MR WEE JOO YEOW

Independent director

Mr Wee was first appointed to the Board on 2 January 2014 and last re-elected as a Director on 28 April 2017. He has more than 39 years of corporate banking experience. He was Managing Director & Head of Corporate Banking Singapore with United Overseas Bank Ltd until his retirement in June 2013. Prior to that, he was Executive Vice President & Head of Corporate Banking with Overseas Union Bank Ltd, and Head Credit & Marketing with First National Bank of Chicago (Singapore). Age 70.

Other Directorships and Appointments
Frasers Centrepoint Ltd*, Board Director • Great Eastern Holdings Ltd*, Board Director • Mapletree Industrial Trust Management Ltd, Board Director • OCBC Management Services Pte Ltd, Board Director • PACC Offshore Services Holdings Ltd*, Board Director • WJY Holdings Pte Ltd • Board Director, WTT Investments Pte Ltd, Board Director
** Listed companies*

Directorships and Appointments for the past 3 years
Nil

Academic and Professional Qualifications
Bachelor of Business Administration (Honours), University of Singapore
Master of Business Administration, New York University, USA

OCBC Board Committees Served On
Chairman, Remuneration Committee
Member, Executive Committee
Member, Nominating Committee
Member, Risk Management Committee

Length of Service as a Director
4 years 3 months

MANAGEMENT COMMITTEE

1. **Mr Samuel N. Tsien**
   Group Chief Executive Officer

2. **Mr Ching Wei Hong**
   Chief Operating Officer

3. **Mr Darren Tan**
   Chief Financial Officer

4. **Mr Lam Kun Kin**
   Global Treasury and Investment Banking

5. **Mr Vincent Choo**
   Group Risk Management

6. **Mr Linus Goh**
   Global Commercial Banking

7. **Ms Elaine Lam**
   Global Corporate Banking

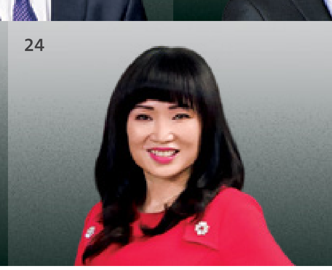
8. **Mr Na Wu Beng**
   CEO, OCBC Wing Hang Bank

9. **Ms Kng Hwee Tin**
   CEO, OCBC Wing Hang Bank (China)

10. **Mr Bahren Shaari**
    CEO, Bank of Singapore

11. **Mr Tan Wing Ming**
    Regional General Manager for North East Asia

12. **Mr Ong Eng Bin**
    CEO, OCBC Bank Malaysia



13. Ms Parwati Surjaudaja
President Director and
CEO, Bank OCBC NISP

14. Mr Gan Kok Kim
Global Investment Banking

15. Mr Dennis Tan
Consumer Financial
Services Singapore

16. Mr Tan Chor Sen
Global Enterprise Banking –
International

17. Mr Jason Ho
Group Human Resources

18. Mr Lim Khiang Tong
Group Operations
and Technology

19. Ms Goh Chin Yee
Group Audit

20. Ms Loretta Yuen
Group Legal and
Regulatory Compliance

21. Mr Peter Yeoh
Group Secretariat

22. Mr Vincent Soh
Group Property
Management

23. Mr Neo Bock Cheng
Global Transaction Banking

24. Ms Koh Ching Ching
Group Corporate
Communications

Please refer to Further Information on Management Committee on page 280.

CREATING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS

Our values define the ethos and culture of our organisation and underpin our continuous efforts to create sustainable value for our stakeholders.

OUR CORPORATE STRATEGY

Our Corporate Strategy articulates how we build a resilient business for the long term. It reflects our unique positioning in our key markets and businesses that has consistently enabled us to successfully capture market opportunities. We progressively formulate and refine this strategy in order to embrace opportunities that arise as global and regional mega trends evolve.

Please refer to Our Corporate Strategy on page 1.

CORE MARKETS

Our four core markets – **Singapore, Malaysia, Indonesia** and **Greater China** – are among the largest in North and Southeast Asia. They provide us with both the market depth and breadth to expand our business franchise. The regional and international trade, capital, investment and wealth flows arising from these markets offer tremendous opportunities for us to support both in-market and cross-border customer requirements.

CORE BUSINESSES

Our core businesses of **Banking, Wealth Management** and **Insurance** are key growth drivers that draw on OCBC's competitive strengths to comprehensively serve individual customers through their life stages and corporate customers across their business life cycles.

SUSTAINABLE BUSINESS PRACTICES

Our franchise has been steadily built on sustainable business practices over many decades. We ensure that **Fair Dealing** forms the basis of everything we do.

Responsible Financing, beyond protecting the environment from untoward commercial interests, is also about ensuring that every transaction makes sense for customers.

By promoting **Community Development** in the markets we operate in, we help to shape a healthy, growing and inclusive society.

OUR UNIQUE PROPOSITION

TRUSTED ADVISOR

The culture of OCBC is predicated upon our values, with special emphasis placed on forging lasting customer relationships based on trust and respect. This trust is hard-earned and we aim to consistently uphold and surpass the ethical standards that we are expected to live up to.

BROAD GEOGRAPHICAL FOOTPRINT

Our broad geographical footprint in North and Southeast Asia is attractive to our customers who seek to expand beyond their home markets. In Southeast Asia, we are present in eight out of 10 ASEAN countries and have deep local market knowledge as well as strong regional and international network connectivity. We have 51 branches in Singapore, 45 branches in Malaysia and more than 330 branches across 61 cities in Indonesia. In Greater China we are well-represented with more than 100 branches, including those within the Greater Bay Area. Beyond Asia, we have a presence in Australia, the Middle East, United Kingdom and United States to support our customers' growth beyond the region.

DIGITAL INNOVATIONS

We have a two-pronged approach towards innovation: We incubate internal employee ideas at our Innovation Lab and we embrace external collaboration with fintech companies through *The Open Vault at OCBC*. By harnessing new technologies – from voice biometrics and chatbots to application programming interfaces (APIs) and artificial intelligence (AI) – in a discerning manner, we continue to push and expand boundaries to deliver first-to-market digital offerings.

OUR VALUES

CUSTOMERS **PEOPLE** **TEAMWORK** **PRUDENT RISK TAKING**

CORE COMPETENCIES

Our core competencies are critical for the successful execution of our corporate strategy. We exercise **Disciplined Risk Management** because our stakeholders trust us to stay safe and sound. By having a **Diversified Funding Base**, a sound capital position and robust balance sheet, we have the financial strength to support growth and capture opportunities with confidence. As the industry expands and becomes increasingly complex, continued **Investments in Technology and People** ensure that we have sufficient resources to support sustainable growth.

Strong Governance is not just a buzzword but a principle we uphold consistently. We embrace diversity in our **Inclusive Workplace**.

CORPORATE SOCIAL RESPONSIBILITY

Our goal is to deliver long-term benefits to the communities where we operate. Besides sponsoring large-scale community projects such as the Singapore Sports Hub and the OCBC Skyway at the Gardens by the Bay to promote national identity and bonding, our employees actively volunteer in social work across Singapore, Malaysia, China, Hong Kong and Indonesia. We rally behind families including children and youths, the elderly and special needs persons and champion environmental sustainability.

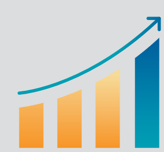
INTEGRITY **EFFECTIVENESS**

OUR STAKEHOLDERS

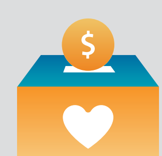
CUSTOMERS

EMPLOYEES

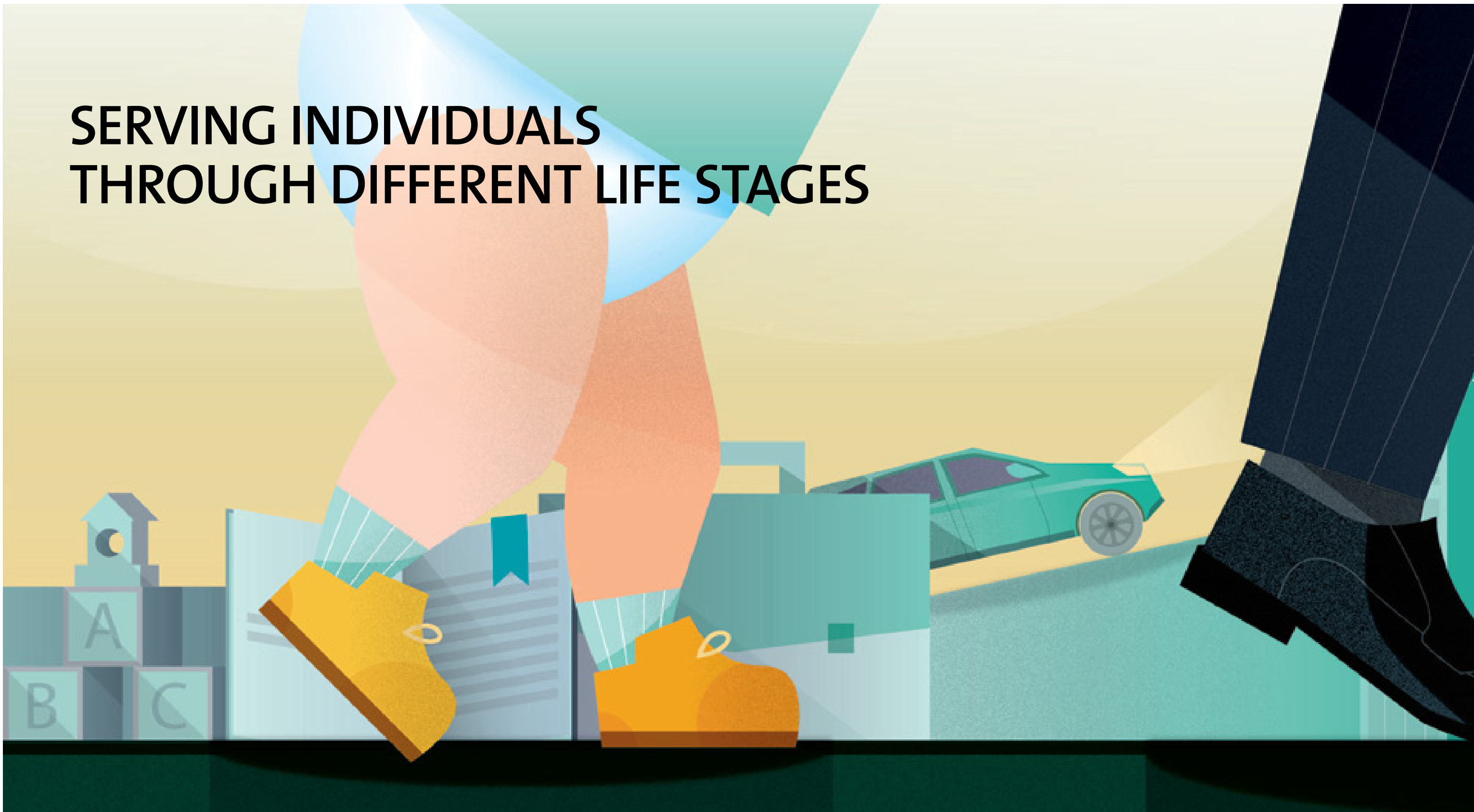
INVESTORS



COMMUNITY



SERVING INDIVIDUALS THROUGH DIFFERENT LIFE STAGES



CHILDREN AND YOUNG FAMILIES

More than
280,000
Mighty Savers® Accounts opened in 10 years in Singapore

Serving
8 in 10
families with **Child Development Accounts** in Singapore

TERTIARY STUDENTS

7%
increase in customers aged 16 - 22 with **FRANK by OCBC Accounts** in Singapore

NEW TO WORKFORCE

29%
increase in **OCBC 360 Account** balances in Singapore

More than
S$1 BILLION
in customer spending per year on **OCBC 365 Card** in Singapore

70%
increase in **OCBC 360 Account** sign-ups in Malaysia

EMERGING AFFLUENT

14%
increase in **digital sales and fees** for wealth products in Singapore

29%
increase in **market share** of **Singapore Exchange equity trades**

79%
increase in **unit trust sales** in Malaysia

75%
increase in **unit trust sales** in Hong Kong and Macao

OUR HARD WORK RECOGNISED

Highest number of winners across the financial industry for three consecutive years
Excellent Service Award (EXSA)
OCBC Bank

Best Private Bank for Entrepreneurs in Asia-Pacific
Global Finance World's Best Private Banks
Bank of Singapore

International Retail Bank of the Year – Indonesia
Asian Banking & Finance Retail Banking Awards
Bank OCBC NISP

Best Online Trading Platform and Best Mobile Trading App – Singapore
Global Banking & Finance Review Awards
OCBC Securities

Asia Pacific's Leader in Smart Payments Experience
IDC Financial Insights Innovation Awards
OCBC Bank

Outstanding Private Bank – Asia Pacific Regional Player
Private Banker International Awards
Bank of Singapore

Outstanding Foreign Bank
Stockstar Capital Strength
OCBC Wing Hang China

AFFLUENT

30%
increase in **OCBC Premier Banking income** in Singapore

11%
increase in **OCBC Premier Banking customers** in Malaysia

18%
increase in **OCBC Premier Banking income** in Malaysia

31%
increase in Assets Under Management (AUM) of **Bank OCBC NISP Premier Banking** in Indonesia

HIGH AND ULTRA-HIGH NET WORTH

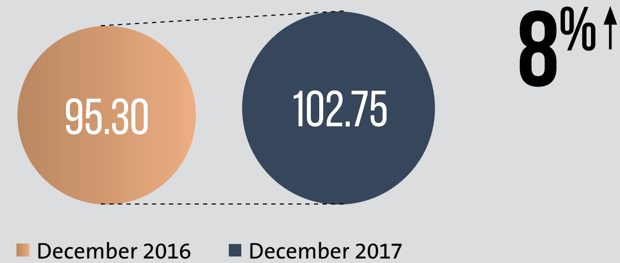
25%
increase in **Assets Under Management (AUM)** of **Bank of Singapore**

CHALLENGES WE FACE

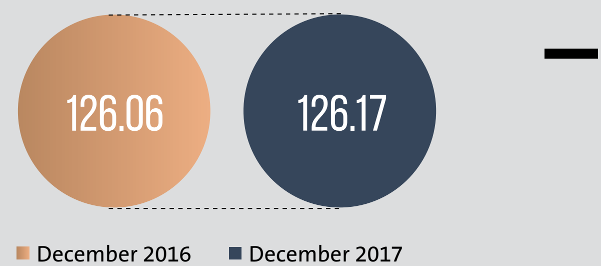
- Disruption from non-traditional players
- Slower economic growth in core markets
- Moderation of business and AUM growth
- Mounting investments in compliance
- Increasing cyber threats
- Increasing volume and sophistication of scams
- Heightened customer expectations

BROAD-BASED GROWTH ACROSS THE CONSUMER FRANCHISE

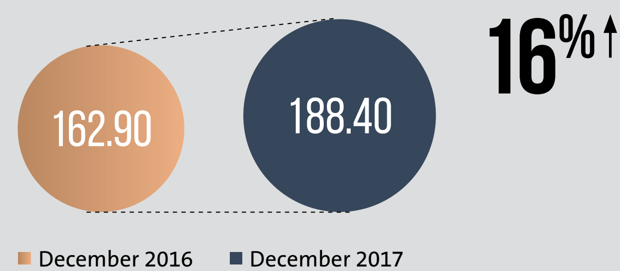
CONSUMER LOANS
(S$ billion)



CONSUMER DEPOSITS
(S$ billion)

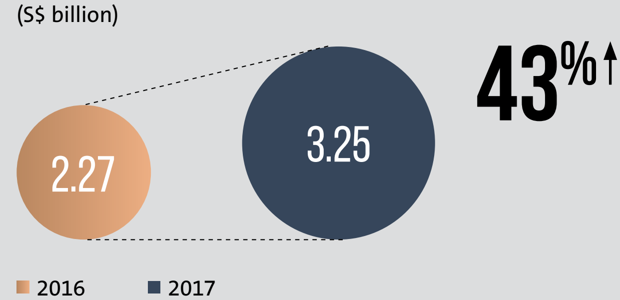


ASSETS UNDER MANAGEMENT (AUM)
(S$ billion)



Note: Comprises AUM of OCBC Premier Banking, OCBC Premier Private Client, Bank of Singapore and OCBC Wing Hang Elite Gold

WEALTH MANAGEMENT INCOME
(S$ billion)



Note: Comprises consolidated income from insurance, asset management, stockbroking and private banking subsidiaries, plus the Group's income from the sale of unit trusts, bancassurance products, structured deposits and other treasury products to consumer customers

CHARTING NEW FRONTIERS TO PROVIDE MORE OPTIONS AND DIGITAL INNOVATIONS

First bank-telco partnership formed with StarHub to create the **first "We Economy" in Singapore**, delivering innovative solutions and experiences to combined base of about

5 MILLION

Singapore customers

First artificial intelligence-powered

HOME LOANS CHATBOT "EMMA"

racked up **S$100 million in Singapore home loans** within one year of launch

First bank in Singapore to distribute

HEALTH INSURANCE ONLINE AND ON MOBILE

starting with Early Cancer Care

First bank in Singapore to roll out a

ROBO-ADVISORY PILOT

that **customises and regularly rebalances portfolios of stocks and exchange-traded funds**

Launched

TWO ROBOTS

to enhance processing speeds

- "Bob" handles **100 restructured home loan applications a day**
- "Zac" prepares a sales report in **12 minutes, compared to 120 minutes** when prepared by an employee

OCBC Securities' latest iOCBCfx app contributed to

ALMOST FOUR-FOLD GROWTH

in **mobile FX trading** for 38 currency pairs

The Open Vault at OCBC engaged **more than 800 fintech partners** and helped three key OCBC business units **COMMERCIALISE SOLUTIONS WITH FINTECH COMPANIES**

Mr Chan Chun Sing, Minister in the Prime Minister's Office and Secretary-General of the National Trades Union Congress (third from left), was invited to tour *The Open Vault at OCBC* in July 2017 to learn more about how OCBC Bank partners fintech companies to create innovative business solutions and deliver a seamless customer experience
Photo: National Trades Union Congress

First in Singapore to launch a

FACIAL RECOGNITION FEATURE

that allows individual customers to perform transactions on the OCBC Mobile Banking, OCBC OneWealth™ and OCBC Pay Anyone™ apps with just a glance on their iPhone X devices

Launched

FIRST TRANSACTIONAL API

for **instant GIRO setup** which is being used by the **Inland Revenue Authority of Singapore**

Bank of Singapore opened a

BRANCH AT DUBAI INTERNATIONAL FINANCIAL CENTRE

for the well-heeled in the Middle East

Launched Easy Q, a feature on OCBC Mobile Banking app that provides

REAL-TIME INFORMATION ON BRANCH CROWDS

in Singapore

Payments made **more convenient** with the

OCBC KEYBOARD

feature, and

QR CODE

payments on OCBC Pay Anyone™ app

OCBC Al-Amin **strengthened family takaful offerings in Malaysia** with distribution of

ONE PLAN-I,

which offers high coverage at an affordable regular contribution

Mighty Savers® celebrated its

10TH ANNIVERSARY

in Singapore with **unique financial literacy education tour at pre-schools**

Bank OCBC NISP launched

PRIVATE BANKING SERVICE IN INDONESIA

SUPPORTING THE FULL SPECTRUM OF BUSINESSES IN THEIR GROWTH JOURNEY

SMALL AND EMERGING BUSINESSES

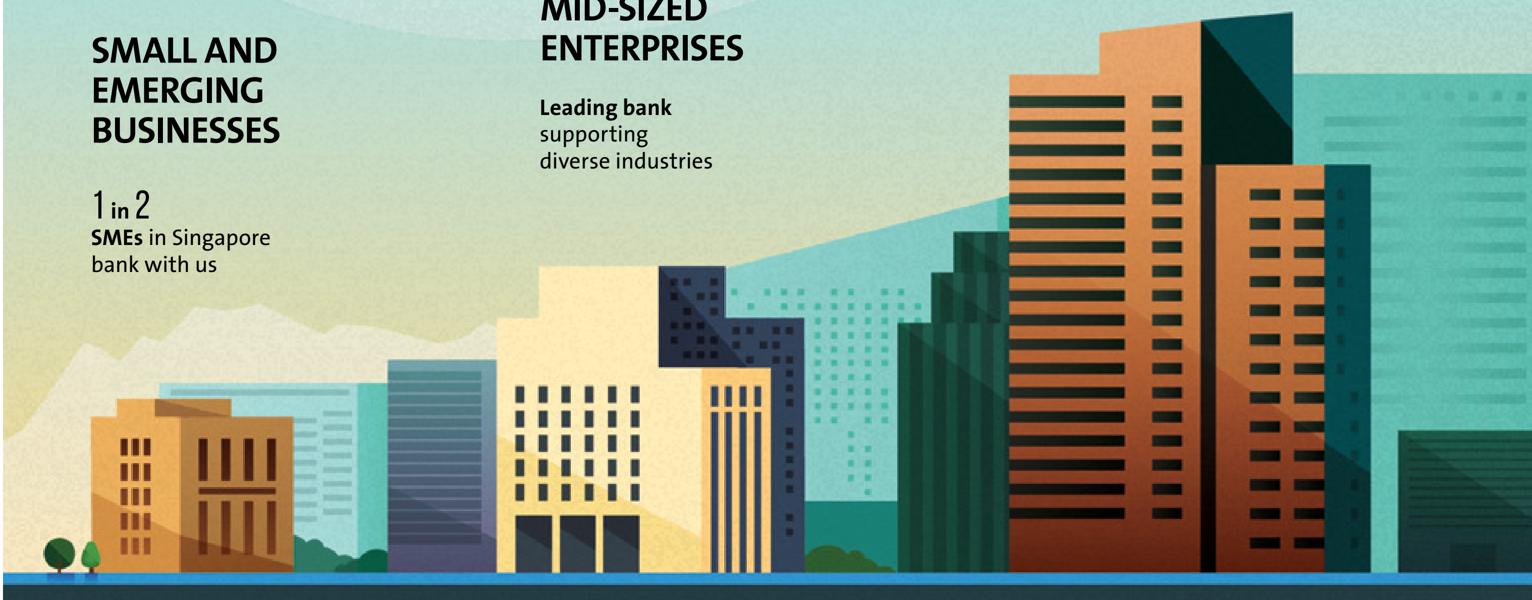
1 in 2
SMEs in Singapore bank with us

MID-SIZED ENTERPRISES

Leading bank supporting diverse industries

ESTABLISHED ENTERPRISES

Dominant player in key markets



WITH OUR WIDE RANGE OF PRODUCTS AND SERVICES

- Financing for trade, business loans and real estate
- Cash management products, including Internet and mobile banking
- Treasury advisory and investment banking services

WE ARE ONE OF THE MOST HIGHLY AWARDED SME BANKS

Asia's Best Bank for SMEs
2nd consecutive year
Euromoney Awards for Excellence

ASEAN SME Bank of the Year
7th consecutive year
Asian Banking & Finance Awards

Best Bank for SMEs in Singapore
Asiamoney Best Bank Awards

Best SME Bank of the Year in Indonesia
The Asian Banker

Best SME Bank in Southeast Asia
5th consecutive year
Alpha Southeast Asia Best Financial Institution Awards

Best SME Bank in Singapore
6th consecutive year
Alpha Southeast Asia Best Financial Institution Awards

Best SME Bank in Malaysia
Global Banking & Finance Review Awards

SME Bank of the Year in Indonesia
4th consecutive year
Asian Banking & Finance Awards

LARGE CORPORATES

Leading player
in corporate banking
and capital markets

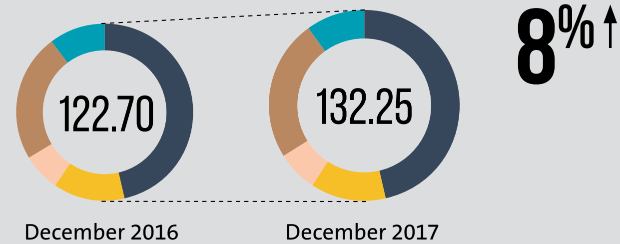
- Specialised financing, such as commodities, project and structured financing

CHALLENGES WE FACE

- Disruption from non-traditional players
- Volatile commodity prices
- Slower economic growth in core markets
- Competition for quality assets
- Mounting investments in compliance

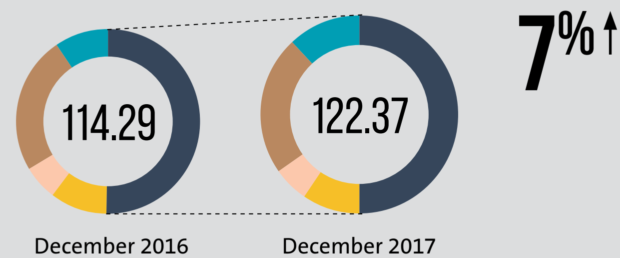
STRONG GROWTH IN CORPORATE AND SME BANKING BUSINESSES

CORPORATE LOANS
(S$ billion)



Singapore · Malaysia · Indonesia · Greater China · Other network markets

CORPORATE DEPOSITS
(S$ billion)



Singapore · Malaysia · Indonesia · Greater China · Other network markets

+86%
SINGAPORE EQUITY AND RIGHTS OFFERING VOLUMES

+81%
SINGAPORE DOLLAR BOND VOLUMES

+73%
BUSINESS MOBILE BANKING CUSTOMERS

+55%
SINGAPORE SYNDICATED LOAN VOLUMES

+31%
TRADE LOANS

PUSHING THE BOUNDARIES WITH INNOVATIVE PRODUCTS AND SERVICES

Launch of
PAPERLESS BUSINESS ACCOUNT OPENING
lets SME owners in Singapore **open accounts more quickly** using the iPad

First in Singapore to launch a
FACIAL RECOGNITION FEATURE
allowing business owners to **access their accounts** on OCBC Business Mobile Banking app on the iPhone X **with just a glance**

Pioneered the use of
VOICE BANKING
in Singapore on OCBC Business Mobile Banking app by leveraging Apple's Siri

Credit approval and loan disbursements for Singapore SMEs now
FOUR TIMES FASTER THAN BEFORE

OCBC Malaysia introduced the country's **first business banking mobile app** to allow customers to view their accounts using
FINGERPRINT AUTHENTICATION

OCBC Wing Hang
DOUBLED ITS NEW-TO-BANK SME CUSTOMERS
with **enhanced services** dedicated to corporates

WE ARE AMONG THE TOP BANKS IN LEAGUE TABLES
DEAL HIGHLIGHTS

SYNDICATED LOANS

S$3.48B
M+S PTE LTD
Mandated Lead Arranger

HK$7B
K WAH FINANCIAL SERVICES
Mandated Lead Arranger and Bookrunner

US$790M
BEIJING GAS
Joint Lead Manager and Bookrunner

US$360M
SIME DARBY PLANTATION
Mandated Lead Arranger

RM2B
PUBLIC SECTOR HOME FINANCING BOARD (MALAYSIA)
Joint Lead Manager

US$1B
CK HUTCHISON HOLDINGS
Mandated Lead Arranger

US$470M
TRAFIGURA COMMODITIES FUNDING
Joint Lead Manager

US$325M
PT ASTRA SEDAYA FINANCE
Arranger

BONDS

S$700M
MAPLETREE INVESTMENT
Lead Manager and Bookrunner

S$500M
COMMERZBANK AG
Global Coordinator and Bookrunner

S$300M
ARA ASSET MANAGEMENT
Lead Manager and Bookrunner

S$75M
HEETON HOLDINGS
Sole Lead Manager and Bookrunner

S$700M
SINGAPORE AIRLINES
Lead Manager and Bookrunner

S$500M
FRASERS CENTREPOINT
Sole Bookrunner

S$285M
GUOCOLAND
Joint Global Coordinator, Joint Lead Manager and Bookrunner

US$1.45B
INDUSTRIAL & COMMERCIAL BANK OF CHINA (SINGAPORE)
Lead Manager and Bookrunner

OCBC Bank's **Memorandum of Understanding** with Chongqing Rural Commercial Bank

FACILITATES CROSS-BORDER FINANCING FOR SMEs

OCBC Wing Hang China signs **Memorandum of Understanding** with SIIC Trade Group to

DEEPEN CO-OPERATION WITH KEY LOCAL CUSTOMERS

US$250M

PT INDOMOBIL FINANCE
Mandated Lead Arranger, Underwriter and Bookrunner

US$125M

EMIRATES
Original Senior Lender

US$500M

INDONESIA EXIMBANK
Lead Manager and Bookrunner

US$300M

PT ABM INVESTAMA
Lead Manager and Bookrunner

EQUITY AND FINANCIAL ADVISORY

IPO OF NETLINK NBN TRUST
Joint Bookrunner and Underwriter

IPO OF NO SIGNBOARD HOLDINGS
Sole Underwriter, Bookrunner and Placement Agent

PRIVATISATION OF GLOBAL PREMIUM HOTELS
Sole Financial Advisor

PRIVATISATION OF GP BATTERIES INTERNATIONAL
Sole Financial Advisor

IDS MEDICAL SYSTEMS GROUP'S STRATEGIC INVESTMENT FROM INTERNATIONAL FINANCE CORP
Sole Financial Advisor

WARAS DINAMIK'S TAKE-OVER OFFER OF HALEX HOLDINGS
Financial Advisor

SALE OF INDONESIA'S LONGEST TOLL ROAD BY CONSORTIUM OF FOUR SELLERS
Sole Financial Advisor

CONSISTENTLY RECOGNISING OUTSTANDING BUSINESSES

EMERGING ENTERPRISE AWARD
Jointly organised and sponsored with The Business Times for 10 years to support exceptional young businesses in Singapore. More than S$1 million in prizes awarded in 2017 alone, including OCBC business overdraft facilities of more than S$750,000

BUSINESS CHINA AWARDS
Jointly presented with Business China for the past eight years, to honour outstanding individuals and enterprises that have fostered stronger Singapore-China relations

ENTERPRISE 50 AWARDS
Proud sponsor for the past 12 years of this annual award which recognises Singapore's top 50 privately-owned companies

ENTREPRENEUR OF THE YEAR AWARD
Longstanding sponsor over the past 16 years of Singapore's oldest award honouring local entrepreneurs

THE EDGE BILLION RINGGIT CLUB
Sponsored by OCBC Malaysia since the award's inception in 2010, to recognise outstanding publicly listed companies in Malaysia with over RM1 billion in market capitalisation

SEEING THE BEST IN OUR PEOPLE

NURTURING 29,174 EMPLOYEES GLOBALLY

ABOUT
1 IN 5
JOBS FILLED INTERNALLY

7.9
AVERAGE MAN DAYS OF TRAINING PER EMPLOYEE

31%
INCREASE IN INVESTMENT IN TRAINING

MORE THAN
3,200
TRAINING AND DEVELOPMENT PROGRAMMES

OUR HARD WORK RECOGNISED

Best Employer (Singapore and Malaysia)
Aon Best Employers Programme

Best Graduate Recruitment Programme (Gold)
Asia Recruitment Awards

Best Staff Referral Programme (Gold)
Asia Recruitment Awards

Only bank to be honoured in consecutive years with IBF Inspire Award, for our strong commitment to rigorous industry standards
The Institute of Banking and Finance Awards

Best Work-Life Balance (>500 employees)
HRM Awards

Excellence in Learning & Development (Gold)
HR Excellence Awards

Excellence in Graduate Recruitment & Development (Gold)
HR Excellence Awards

MORE THAN
5,600
ATTENDEES AT DIGITAL AND FINTECH TRAINING

MORE THAN
4,300
ATTENDEES AT SINGAPORE'S INSTITUTE OF BANKING AND FINANCE-ACCREDITED PROGRAMMES

OCBC Bank has 6,830 employees in Singapore

CHALLENGES WE FACE

- Developing programmes that effectively meet the varied needs of our diverse workforce
- Maintaining a strong employer brand to engage, retain talent
- Increasing competition for talent with digital skillsets
- Workforce planning to identify future jobs and equip employees with relevant skills

ATTRACTING, ENGAGING AND DEVELOPING TALENT

Bank OCBC NISP staff celebrating the launch of OCBC's refreshed Employer Brand in Jakarta

Global launch of
REFRESHED EMPLOYER BRAND
reinforces OCBC's reputation as an employer that is **Caring, Progressive** and **Delivering a Difference**

First bank in Singapore to launch an HR mobile app,
HR-IN-YOUR-POCKET,
featuring an **artificial intelligence-powered chatbot**

First-of-its-kind
FRANKPRENEURSHIP PROGRAMME
in Singapore **instils spirit of entrepreneurship** in banking interns

OCBC Malaysia collaborated on first-of-its-kind
WEALTH MANAGEMENT TRAINING PROGRAMME
with the Asian Banking School

Bank OCBC NISP joined
INTERNAL JOB POSTING
programme, offering more opportunities for employees in Indonesia and across the OCBC Group

Organised a range of **inaugural activities during My Family Weekend** in Singapore for employees and their families, to
PROMOTE FAMILY LIFE

Partnering newly opened Little Skool-House@ One Marina Boulevard — our third centre collaboration — to give employees in Singapore
MORE CHILDCARE OPTIONS

Capitalising on
DATA ANALYTICS
to predict and pre-empt employee attrition as well as **optimise hiring**

OCBC Wing Hang launched
YOUNG BANKERS PROGRAMME
to nurture potential leaders in Hong Kong

OCBC Wing Hang China launched
SCHOLARSHIP PROGRAMME
for students to pursue postgraduate studies in Singapore, helping OCBC find local talent in the markets it operates in

CREATING INVESTOR VALUE

FIVE-YEAR SHARE PERFORMANCE

OCBC Share Price (S$)

Source: Bloomberg

	2013	2014	2015	2016	2017
OCBC Share Price (S$) (1)					
Highest	10.88	10.50	10.90	9.45	12.59
Lowest	9.30	8.84	8.54	7.45	8.98
Daily Average	10.00	9.60	9.85	8.60	10.68
Last Done	9.91	10.46	8.80	8.92	12.39
Market Capitalisation (S$ billion) – based on last done price	35.0	41.7	36.2	37.3	51.9
Ratios (1)(2)					
Price-to-earnings ratio	13.18	9.37	10.35	10.46	10.94
Price-to-earnings ratio – based on core earnings	13.18	10.45	10.35	10.46	10.94
Net dividend yield (%)	3.40	3.75	3.66	4.19	3.46
Price-to-NAV ratio	1.43	1.29	1.23	1.01	1.19

(1) Figures have been adjusted for the effects of the 1-for-8 rights issue effected on 26 September 2014.
(2) Price ratios and dividend yield are based on daily average share prices.

MARKET CAPITALISATION

+39%

OUR HARD WORK RECOGNISED

Singapore Corporate Governance Award, Financials Category Runner Up
SIAS 18th Investors' Choice Awards
OCBC Bank

Singapore Corporate Governance Award, Big Cap Category Merit
SIAS 18th Investors' Choice Awards
OCBC Bank

The Most Trusted Company 6th consecutive year
Corporate Governance Perception Index Award
Bank OCBC NISP

Best Investor Relations Company (Singapore)
Corporate Governance Asia 7th Asian Excellence Award
OCBC Bank

Most Improved Investor Relations in Singapore
Alpha Southeast Asia 7th Annual Institutional Investor Awards for Corporates
OCBC Bank

DELIVERING SUPERIOR AND SUSTAINABLE RETURNS

+19%
NET PROFIT

11.2%
RETURN ON EQUITY

37¢
DIVIDEND PER SHARE

37%
DIVIDEND PAYOUT RATIO

+39%
SHARE PRICE

44%
ONE-YEAR TOTAL SHAREHOLDER RETURNS

STRONG CREDIT RATINGS WITH STABLE OUTLOOK

AA-
FITCH

Aa1
MOODY'S

AA-
S&P

ENGAGEMENT WITH THE INVESTMENT COMMUNITY

COVERAGE
by 27
research analysts

Annual General Meeting
in April 2017 with
APPROVALS ABOVE 90%
for all resolutions

Close to
500 MEETINGS and CONFERENCE CALLS
with investors

Semi-annual
"LIVE" WEBCASTS
of results briefings

BROKER-HOSTED CONFERENCES AND NON-DEAL ROADSHOWS
held **locally** and **overseas**

QUARTERLY RESULTS BRIEFINGS
with media and analysts

CORPORATE DAY
covering wealth management business and digital innovations

TIMELY AND RELEVANT DISCLOSURE
of financial data, corporate information and material announcements on **OCBC Bank's website**

DETAILED AND TRANSPARENT DISCLOSURE
on **asset quality** and **portfolios of particular concern**

#OCBCcares PROGRAMME

LAUNCHED IN MARCH 2017 TO OFFER HOLISTIC SUPPORT TO MAKE A DIFFERENCE

111,699

LIVES IMPACTED

ALMOST THREE-FOLD increase in number of beneficiaries

ADDRESSED NEEDS that would be negatively impacted if not met in a timely manner

40%

INCREASE IN DONATIONS

Supported programmes that delivered SUSTAINABLE LONG-TERM BENEFITS

Gave to those who were MORE VULNERABLE

21%

INCREASE IN NUMBER OF VOLUNTEERS

About ONE-THIRD of all OCBC employees gave back to the community

40,220

HOURS

Dedicated to BUILDING RELATIONSHIPS WITH COMMUNITIES

Equivalent to 1,676 days or 4.6 years

Extending support to **more segments** of the community, **helping those who receive less support** and expanding efforts to **protect the environment**

IN 2017, WE DONATED MORE THAN

S$1.6 MILLION

MORE THAN

9,100

EMPLOYEES CONTRIBUTED THEIR TALENTS, TIME AND SERVICE TO COMMUNITIES, TO SUSTAINABLY IMPROVE LIVES

GARDENS BY THE BAY

OUR 6TH YEAR
sponsoring the OCBC Skyway, as part of our 18-year

S$8 MILLION COMMITMENT

SINGAPORE SPORTS HUB

OUR 5TH YEAR
as exclusive Premier Founding Partner, part of our 15-year

S$50 MILLION COMMITMENT

OCBC Head of Group Corporate Communications, Ms Koh Ching Ching (third from left), received the Champion of Good award from Mr Heng Swee Keat (second from left), Minister for Finance, in November 2017. Organised by the National Volunteer & Philanthropy Centre, the award recognises our contribution towards building a cohesive and collaborative society

	VOLUNTEERS	VOLUNTEER HOURS	BENEFICIARIES HELPED
SINGAPORE	2,248	11,293	16,562
MALAYSIA	1,860	8,343	17,764
INDONESIA	2,238	3,610	8,493
GREATER CHINA	2,772	16,974	68,880

A TOTAL OF 995 ACTIVITIES WERE ORGANISED ACROSS OUR CORE MARKETS TO HELP THE NEEDY

SINGAPORE

Mr Desmond Lee, Minister for Social and Family Development and **Second Minister for National Development (centre)**, and **Mr Ooi Sang Kuang, Chairman, OCBC Bank (right)**, PREPARED HEALTHY EGG MEALS for **120 elderly beneficiaries**

16 volunteers painted murals on walls at a DISABILITY CLINIC set up by the **Movement for the Intellectually Disabled of Singapore (MINDS)**. The cheerful visuals provide a **more conducive environment** and help calm nerves as patients wait to see the doctor

OCBC Group CEO, Mr Samuel Tsien (fourth from left), LAUNCHED THE #OCBCCARES PROGRAMME, providing S$600,000 **in annual funding** for viable initiatives proposed by our chosen charity partners

The causes we support include children and youths, the elderly, special needs persons and environmental sustainability

Our annual OCBC COMMUNITY DAY opened up opportunities for 260 beneficiaries — both young and old — to **try out activities that were new to them**

20 children from the Singapore Children's Society experienced a CONFIDENCE-BOOSTING WORKOUT at a trampoline park, **learning the values of perseverance and team spirit** as they perfected jumps

CHINA

Through training and mentorship, 100 children from migrant families **gained confidence** to participate in the

OCBC WING HANG CHINA LITTLE DEBATE

Students from Zi Luo Lan Primary School learnt to

CARE FOR PLANTS,

guided by our volunteers

HONG KONG AND MACAO

OCBC Wing Hang CEO, Mr Na Wu Beng (right), and other volunteers cooked

NUTRITIOUS MEALS for 150 underprivileged seniors in the local community

30 volunteers interact regularly with the ELDERLY RESIDENTS of a home run by Caritas to **keep loneliness and depression at bay**

MALAYSIA

Responding to the November 2017 flood situation in Penang, we donated a total of RM205,080 to **support rebuilding efforts**

37 employees whose homes were affected received RM105,080 comprising **RM55,080 raised by staff** and **RM50,000 donated by the Bank**

Another RM100,000 was donated to **four schools** and **two homes** housing children, youths and the elderly

157 volunteers REFURBISHED an almost century-old school in Bentong, to provide a **conducive learning environment** for the students

SPECIAL NEEDS YOUTHS learnt to bake cookies, under the guidance of 17 volunteers. The cookies were **sold to our staff raising RM15,000**

INDONESIA

52 volunteers **installed electricity and energy-saving light bulbs** in 100 households in West Bandung,

SUPPORTING VULNERABLE FAMILIES AND THE ELDERLY

Continuing our annual MENTORSHIP OF YOUNG ASPIRING ENTREPRENEURS, 14 volunteers dedicated 39 hours conducting workshops to equip participants with the right skills to succeed

Of the 24 participants who received funding for their initial business start-ups, 16 **have successfully achieved sustainable results**

EXPANDING EFFORTS TO PROTECT OUR ENVIRONMENT

Our environmental efforts bring together various segments of the community to address sustainability issues. We partner government bodies, advocates and citizen groups to restore and protect the environment. In Singapore, the #OCBCCares Fund for the Environment commits full funding for ground-up projects that enhance environmental sustainability. Beyond the Fund, we support initiatives to promote environmentally responsible habits and conservation efforts.

SINGAPORE

1,400
volunteers participated in a

BIODIVERSITY ENHANCEMENT PROJECT

at Coney Island Park, **propagating endangered plant species**, undertaking coastal clean-ups and conducting learning trips

S$250,000
donated by management and staff to support this initiative

Kicking off a biodiversity enhancement initiative at Coney Island Park, OCBC Chairman, Mr Ooi Sang Kuang (second from left); OCBC Group CEO, Mr Samuel Tsien (third from left); Chairman of the Garden City Fund, Professor Leo Tan (far left), and CEO of NParks, Mr Kenneth Er (far right), planted a sapling of the twin-apple tree which is almost extinct in Singapore

110 volunteers participated in a sustainability exhibition in March 2017 to encourage visitors to support the practice of

CONVERTING FOOD WASTE INTO COMPOST

The exhibition featured two large-scale see-through tanks that showcased the odourless process. There was strong interest, resulting in visitors taking away **3,000 cups of compost and seeds**

LAUNCH OF THE #OCBCCARES FUND FOR THE ENVIRONMENT IN SINGAPORE

Mr Samuel Tsien, OCBC Group CEO (in black), and Mr N. Sivasothi, Chairman of the Fund's evaluation committee, adding the finishing touches to a specially-commissioned painting featuring the Fund logo

First to provide full funding for ground-up projects that support environmental sustainability in Singapore

To ensure results, **OCBC volunteers conducted workshops** to help potential applicants prepare robust proposals and structure projects

A **committee comprising key organisations** responsible for Singapore's sustainability movement decided on projects to support

IDENTIFIED

6

projects to receive

S$87,000

in funding

Beyond our **sponsorship of the OCBC Skyway** at Gardens by the Bay, OCBC staff volunteers regularly organised visits for our charity partners to enjoy the ever-changing displays at the gardens. Staff with a passion for gardening also

VOLUNTEERED TO TAKE CARE OF THE OUTDOOR GARDENS

HONG KONG AND MACAO

Volunteers organised a workshop for **students** from **Kwun Tong Government Primary School** to

TEACH THEM ABOUT RECYCLING

At the St James' Settlement upcycling centre, volunteers and students

RECYCLED FABRIC FROM DAMAGED UMBRELLAS

to make attractive school bags

MALAYSIA

100 volunteers including **Mr Ong Eng Bin, OCBC Malaysia CEO** (below),

PLANTED HARDWOOD TREES

in the **Bukit Lagong Forest Reserve**

FOSTERING STRONG COMMUNITY BONDS THROUGH OCBC CYCLE EVENTS

OCBC CYCLE SINGAPORE

OCBC CYCLE IN NUMBERS

SINGAPORE

More than **6,500** participants, including **834** OCBC Bank employees

S$31,000 raised for charity

The nation's largest cycling festival, **OCBC CYCLE SINGAPORE**, featured a mix of competitive and non-competitive rides at the Singapore Sports Hub over 18 and 19 November 2017

The sold-out 23-kilometre The Straits Times Ride drew more than 2,000 cyclists. More than 3,500 participants took on the challenge of the 42-kilometre The Sportive Ride. The **OCBC Mighty Savers® Kids and Family Ride** allowed children aged 2 - 12 to ride with their parents for a **fun-filled family bonding session**

OCBC CYCLE KUALA LUMPUR

OCBC CYCLE IN NUMBERS

KUALA LUMPUR

More than **2,200** participants, including **300** OCBC Bank employees

RM11,670 raised for charity

The third edition of OCBC Cycle Kuala Lumpur on 6 November 2017 gave cyclists the chance to ride past **ICONIC LANDMARKS** such as the Petronas Twin Towers, the Sultan Abdul Samad Building and the National Mosque

For the third consecutive year, OCBC Malaysia sponsored the **OCBC KL CAR FREE MORNING**, a fortnightly event during which a 7-kilometre stretch of road is closed **for sporting enthusiasts to run, roller-blade or cycle through the heart of Kuala Lumpur**

THE STRAITS TIMES RIDE was flagged off by (from left) Sport Singapore CEO, Mr Lim Teck Yin; OCBC Bank CFO, Mr Darren Tan; and The Straits Times Executive Editor & Managing Editor, English/Malay/Tamil Media Group, Singapore Press Holdings, Ms Sumiko Tan

Mr Tan Hun Boon, a BRONZE MEDALLIST at the **ASEAN Para Games 2017**, rode in The Straits Times Ride. He was one of the guests-of-honour who flagged off The Sportive Ride

Over three sessions, 120 OCBC Cycle participants volunteered to teach 26 CHILDREN from **The Business Times Budding Artists Fund** and **Yu Neng Primary School** how to cycle

OTHER INITIATIVES UNDER OCBC CYCLE

The RIDE SAFE PROGRAMME, now in its third year, was jointly introduced by OCBC Bank and the National Parks Board to promote safe cycling. The programme teaches cyclists to better use Singapore's Park Connector Network and to **adopt good cycling etiquette and practices**

OCBC Bank SPONSORED FIVE RACES to crown the top male and female cyclists as well as the best cycling team in Singapore. The races, which were sanctioned and organised by the Singapore Cycling Federation, attracted **more than 800 cyclists**

OCBC CYCLE SPEEDWAY

OCBC Cycle Singapore features a competitive element, in the form of a series of **OCBC Cycle Speedway championship races**

Eight countries competed in the SOUTHEAST ASIA CHAMPIONSHIP, with the Philippines capturing the crown in 2017 from Malaysia, which had won the previous two editions

Team Singapore Civil Defence Force held off the challenge from Team OCBC, GlaxoSmithKline, Advanced Micro Devices and eight other corporate teams to win the inaugural **OCBC Cycle Speedway** CORPORATE CHAMPIONSHIP in Singapore

TWC Racing came out tops among **15 local cycling clubs** in their maiden appearance at the **OCBC Cycle Speedway** CLUB CHAMPIONSHIP in Singapore

SUSTAINABILITY REPORT

ESTABLISH >
SUSTAINABILITY COUNCIL AND SUSTAINABILITY WORKING GROUP

APPROVE >
MATERIAL ESG FACTORS

SELECT >
REPORTING FRAMEWORK

EVALUATE >
ESG POLICIES, PRACTICES, PERFORMANCE AND TARGETS

PUBLISH

INAUGURAL SUSTAINABILITY REPORT

ABOUT THE REPORT

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards – Core Option, as well as GRI G4 Financial Services Sector Disclosures. The GRI Standards are internationally recognised and provide robust guidance. Their universal application allows for comparability of performance. Reference has also been made to the primary components of sustainability reporting as set out by the Singapore Exchange's "Comply or Explain" requirements for sustainability reporting.

We have adopted a phased approach towards sustainability reporting. As we move forward, disclosure on performance and targets will be further enhanced. We have not sought external assurance for this reporting period. This report covers the Environmental, Social and Governance (ESG) performance of the OCBC Group for the financial year ended 31 December 2017. Where applicable, we have included data from previous financial years for comparison. Our listed subsidiary, Great Eastern Holdings (GEH), reports its ESG performance separately.

MATERIAL ESG FACTORS

RESPONSIBLE BUSINESS PRACTICES
- Strong Governance
- Fair Dealing
- Responsible Financing
- Combating Financial Crimes and Cyber Threats

CORPORATE CITIZENSHIP
- Economic Contributions
- Financial Inclusion
- Customer Experience
- Community Development

EMPLOYER OF CHOICE
- Inclusive Workforce

ADDITIONALLY-DISCLOSED ESG FACTOR

- Environment

BOARD STATEMENT

Promoting and embracing sustainable business practices has been a priority of our Board and Management. This is predicated upon our strong belief that a sustainable business is one that generates long-term value for our stakeholders, including our customers, employees, investors, community and regulators.

We are pleased to present our inaugural Sustainability Report. This documents our consideration of and approach towards sustainability issues and demonstrates our commitment towards being a sustainable and responsible organisation. We will publish the Report annually to share the progress we make in this continuous journey.

This Report sets out the Environmental, Social and Governance (ESG) factors that we have assessed to be material to the sustainability of our business.

These factors, which were identified and prioritised by our Management, have been validated by our Board. We also share our targets, performance and selected case studies of these factors.

We recognise that sustainability is integral to the successful execution of our corporate strategy. As we deepen our presence in our core markets, this deep conviction underpins and defines the way we conduct our business activities and has become embedded within the ethos of the organisation.

The sustainability of our business practices, together with their transparent disclosure, has gained greater impetus with the implementation of sustainability reporting requirements by the Singapore Exchange. Together with the Board, our Management remains vigilant in managing our commitments to our material ESG factors and to enhancing our practices over time. Lastly, we urge our stakeholders to share our commitment towards improving our ESG performance in the markets we operate.

Ooi Sang Kuang
Chairman

Samuel N. Tsien
Group Chief
Executive Officer

SUSTAINABILITY GOVERNANCE STRUCTURE

A robust governance structure is of paramount importance to the achievement of our sustainability commitments. Our Board takes our ESG factors into careful consideration when formulating OCBC's strategy. Together with the Sustainability Council, the Board oversees sustainability efforts across the Group which are managed and implemented by the Sustainability Working Group.

	ROLE	MEMBERS
1ST LEVEL **BOARD**	The Board, which has overall responsibility over our sustainability efforts, oversees the monitoring and management of our material ESG factors.	Board Directors
2ND LEVEL **SUSTAINABILITY COUNCIL**	The Sustainability Council is responsible for identifying, managing and monitoring material ESG risks and opportunities. In addition, it is responsible for the development of OCBC's sustainability framework.	Group Chief Executive Officer (Chairperson) Chief Operating Officer Chief Financial Officer Head – Global Treasury and Investment Banking Head – Group Risk Management Head – Global Commercial Banking Head – Global Corporate Banking Head – Group Human Resources Head – Group Operations and Technology Head – Group Corporate Communications
3RD LEVEL **SUSTAINABILITY WORKING GROUP**	The Sustainability Working Group is responsible for engaging stakeholders, collecting ESG data, drafting the Sustainability Report, measuring ESG performance and implementing sustainability initiatives.	Consumer Financial Services Singapore Global Corporate Banking Group Corporate Communications Group Human Resources Group Legal and Regulatory Compliance Group Operations and Technology Group Property Management Group Risk Management Investor Relations

STAKEHOLDER ENGAGEMENT

We regularly engage our key stakeholder groups as this facilitates communication and allows us to deepen our understanding of their needs and aspirations. Our approach towards stakeholder engagement is summarised in the table below.

STAKEHOLDER GROUPS	INTERESTS AND CONCERNS	HOW OCBC RESPONDS
CUSTOMERS	• Commitment to customer relationships • Adherence to Fair Dealing • Quality of advice • Relevance and suitability of recommended products and services • Quality and consistency of service • Ease of doing business	• Develop customer-centric products and solutions based on customer insights drawn from market research and customer interviews • Leverage technology to deliver superior customer experience • Design seamless and simple customer touchpoints • Launch "Stay True" campaign, championing honest and transparent advertising
EMPLOYEES	• Supportiveness of work culture • Progressiveness of work environment • Opportunities for continuous learning and development	• Launch OCBC Employer Brand • Engage employees with HR policies and programmes based on the three pillars of the OCBC Employer Brand – Caring, Progressive and Delivering a Difference
INVESTORS	• Stability and sustainability of earnings growth • Soundness of funding and capital position • Predictability and sustainability of dividend payout • Asset quality • Strength of corporate governance and stewardship • Commitment to responsible financing practices	• Pursue a prudent growth strategy • Construct a sound funding and capital framework and diversified funding base • Maintain a consistent dividend policy • Apply robust risk management practices and disclosures • Ensure strong Board oversight and transparent disclosures • Adopt responsible financing framework and disclose sustainability commitments and practices
COMMUNITY	• Support for family cohesion • Support for the needs of an ageing population • Societal acceptance of special needs persons • Promotion of environmental sustainability • Availability of education opportunities for children and youths	• Launch #OCBCCares Programme to offer holistic support to make a difference • Organise community engagement activities to build relationships • Support biodiversity enhancements at Coney Island in Singapore • Launch #OCBCCares Fund for the Environment to fully fund ground-up initiatives that deliver sustainable environmental impact • Offer bond-free scholarships and book prizes • Sponsor OCBC Skyway at Gardens by the Bay and the Singapore Sports Hub which includes OCBC Arena, OCBC Aquatic Centre and OCBC Square
REGULATORS	• Robustness of risk culture • Management of conduct risk • Commitment to combating financial crime • Strength of data governance and security • Preparedness for cyber threats • Stability of financial performance • Responsiveness to fintech developments	• Formulate a comprehensive compliance risk framework to provide a holistic approach to managing legal and regulatory risk • Implement policies and procedures to ensure compliance with applicable laws, rules and regulations • Advise business units on applicable laws, rules and regulations • Provide regular training for employees on applicable laws, rules and regulations • Conduct compliance testing • Leverage fintech solutions to improve regulatory monitoring effectiveness

ENGAGEMENT METHOD	FREQUENCY
• Surveys conducted by in-house market research team to obtain customer feedback and benchmark against competitors • Focus groups and in-depth interviews and workshops • Customer complaint tracking • Usability testing using specially-built prototypes	• Monthly tracking of service level performance across various channels and customer complaints • Annual benchmarking against competitors for individual and corporate clients • Bi-monthly reporting to senior management • Regular customer interviews and usability testing
• Employee Engagement Survey • Quarterly e-mails from Group CEO on OCBC's accomplishments and objectives • Divisional town halls • Internal newsletter — OCBC Teller • Focus groups and skip-level sessions to obtain continuous feedback	• Biennial Employee Engagement Survey • Ongoing engagement at the division and department levels
• Financial reports and disclosures • Annual Report • Announcements on OCBC Bank's website • Announcements via SGXNet • Results briefings and webcasts • Annual General Meeting with shareholders • Meetings, conferences and roadshows • Corporate Day	• Quarterly briefing for earnings announcements • Annual Report • Annual General Meeting • Regular meetings with investors
• Volunteer activities that provide assistance to beneficiaries and support the environment • Events that engage the community at large • Collaboration with partner organisations • Evaluation and disbursement of donations and funds to beneficiary groups and ground-up efforts • Training workshops to help community members apply for funds from OCBC for ground-up environmental efforts	• Regular disbursement of donations and funds to charity partners and educational institutions • Regular volunteer activities throughout the year • Annual signature events, including OCBC Cycle and OCBC Community Day in Singapore, OCBC Cycle in Malaysia and OCBC Wing Hang Little Debate in China
• Regular meetings and consultations with regulators • Representation at industry forums • Regulatory reports • Audit reports	• Ad hoc and regular engagement, depending on the nature of the engagement

OUR ESG FACTORS

We conducted our first formal workshop in March 2017 to determine the Environmental, Social and Governance (ESG) factors that are material to us. The assessment comprised a four-step process guided by GRI Standards. For our inaugural Sustainability Report, our Sustainability Council had the responsibility of identifying and prioritising ESG factors for reporting. Moving forward, we will consider involving selected external stakeholders, in a phased manner, in the assessment of our material ESG factors.

GRI REPORTING PRINCIPLES GUIDING SUSTAINABILITY REPORT

1. **Sustainability context** – Report shall represent the reporting organisation's performance in the wider context of sustainability.
2. **Stakeholder inclusiveness** – The reporting organisation shall identify its stakeholders and explain how it has responded to their reasonable expectations and interests.
3. **Materiality** – Report shall cover topics which reflect the reporting organisation's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.
4. **Completeness** – Report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the reporting organisation's performance in the reporting period.

IDENTIFICATION OF ESG FACTORS

ACTIVITIES

A list of ESG factors was identified through:

- Intensive engagement with representatives of various business units
- Consideration of the interests and concerns of key stakeholders with whom we interact
- Benchmarking against banking peers' ESG factors

GRI REPORTING PRINCIPLES GUIDING SUSTAINABILITY REPORT

- Sustainability context (Principle 1)
- Stakeholder inclusiveness (Principle 2)

WE HAVE DETERMINED THAT THE FOLLOWING ESG FACTORS ARE MATERIAL TO US.

	RESPONSIBLE BUSINESS PRACTICES				CORPORATE CITIZENSHIP
	STRONG GOVERNANCE	FAIR DEALING	RESPONSIBLE FINANCING	COMBATING FINANCIAL CRIMES AND CYBER THREATS	ECONOMIC CONTRIBUTIONS
COVERAGE	• Regulatory Compliance • Anti-Fraud • Whistle-blowing • Anti-Bribery & Corruption • Corporate Risk Focused Organisation	• Product Suitability • Complaint Management	• ESG Risk Assessment • Reputational Risk Management • Prudence in Lending	• Anti-Money Laundering • Countering the Financing of Terrorism • Cyber Security	• Economic Performance • Indirect Economic Impact
GRI TITLES/ASPECTS	• Anti-Corruption	• Marketing and Labelling • Product and Service Labelling (Financial Services Sector Disclosure)	• Product Portfolio (Financial Services Sector Disclosure)	• Customer Privacy • Training and Education	• Economic Performance • Indirect Economic Impact
IMPACT AND BOUNDARIES	All stakeholders across our businesses	Customers, Employees and Regulators	Customers and Employees	Customers, Employees and Regulators	Employees, Investors and Community

PRIORITISATION	VALIDATION	REVIEW
The factors were then prioritised based on the following set of criteria: • Alignment with corporate strategy • Significance of ESG impact of the business • Significance of influence on stakeholder assessments and decisions	• The Board validated the material ESG factors • The validated material ESG factors were subsequently mapped to GRI Standards	• The material ESG factors will be reviewed annually to ensure relevance to the business and stakeholders
• Stakeholder inclusiveness (Principle 2) • Materiality (Principle 3)	• Stakeholder inclusiveness (Principle 2) • Completeness (Principle 4)	• Sustainability context (Principle 1) • Stakeholder inclusiveness (Principle 2)

WE HAVE ADDITIONALLY DISCLOSED THE FOLLOWING ESG FACTOR.

			EMPLOYER OF CHOICE	ENVIRONMENT
FINANCIAL INCLUSION	**CUSTOMER EXPERIENCE**	**COMMUNITY DEVELOPMENT**	**INCLUSIVE WORKFORCE**	**ENVIRONMENT**
• Financial Services Access and Inclusiveness	• Customer Experience (including digital innovation)	• Financial and Volunteer Support • Community Engagement • Sponsorship of Projects and Activities • Environmentally Responsible Programmes	• Diversity and Inclusion • Talent Management and Retention	• Electricity Consumption • Water Consumption • Carbon Emission
• Local Communities (Financial Services Sector Disclosure) • Product and Service Labelling (Financial Services Sector Disclosure)	• Approach to Stakeholder Engagement	• Local Communities	• Employment • Training and Education • Diversity and Equal Opportunity	• Energy • Water • Emissions
Customers and Community	Customers and Employees	Customers, Employees and Community	Employees	Customers, Employees and Community

STRONG GOVERNANCE

RESPONSIBLE BUSINESS PRACTICES

WHY THIS IS MATERIAL TO US
Strong governance is critical to our long-term success, which is founded on building and safeguarding the trust that our stakeholders have placed in us.

MANAGEMENT AND EVALUATION

We are committed to the highest standards of corporate governance and adopt a zero-tolerance stance on fraud, bribery and corruption. We conduct our business ethically and comply with applicable laws and regulations at all times.

SELECTED POLICIES

- **OCBC Code of Conduct (includes anti-bribery and anti-corruption policies)**
  Sets out rules governing the offering or acceptance of gifts and hospitality, and specifies the authorisation processes for payment of expenses
- **OCBC Fraud Risk Management Policy**
  Complies with laws and regulations so as to uphold integrity and the highest ethical standards
- **Compliance Risk Management Framework**
  Enables risks to be managed in a structured, systematic and consistent manner

SELECTED PRACTICES

- **OCBC Whistle-Blowing Programme**
  Website: www.ocbcgroup.ethicspoint.com
  Hotline: 800-110-1967
- **Mandatory Regular Staff Training and Assessment**
  Covers fraud awareness, whistle-blowing, anti-bribery and anti-corruption

Group Legal and Regulatory Compliance submits regular updates and reports to the Board and Management. This includes regulatory updates and regulatory breach reports. Group Audit independently reviews all fraud and whistle-blowing cases and reports its findings to the Board Audit Committee. Fraud incidents are also reported to the Board Risk Management Committee (BRMC).

Please refer to Fraud Risk Management on page 93.

PERFORMANCE AND TARGETS

We have been recognised for our emphasis on strong governance:

Best Managed Board – Gold
(Market Cap of S$1 billion and above)
Singapore Corporate Awards 2016

Best Managed Bank in Singapore and Asia Pacific
The Asian Banker 2016

Achievement in Operational Risk Management Award for 2017
The Asian Banker Risk Management Awards 2017

NO
CONVICTIONS FOR BRIBERY AND CORRUPTION

100%
COMPLETION OF MANDATORY STAFF TRAINING AND ASSESSMENT

Note: The training performance includes employees in Singapore, Malaysia and our other network markets

We will strive to maintain our good track record as we continuously work at maintaining our culture of strong governance.

Mr Patrick Chew, Head, Group Operational Risk Management, OCBC Bank (second from left), and Mr Yong Shou Ming, Vice President, Group Operational Risk Management, OCBC Bank (third from left), receiving the Achievement in Operational Risk Management Award for 2017 in June 2017

FAIR DEALING

WHY THIS IS MATERIAL TO US
Fair Dealing is the basis of our business because it enables us to forge enduring relationships with our customers.

MANAGEMENT AND EVALUATION

Integrity is one of six core values embraced by our employees. We are committed to dealing with our customers in a fair and professional manner and ensuring that we act in their best interests.

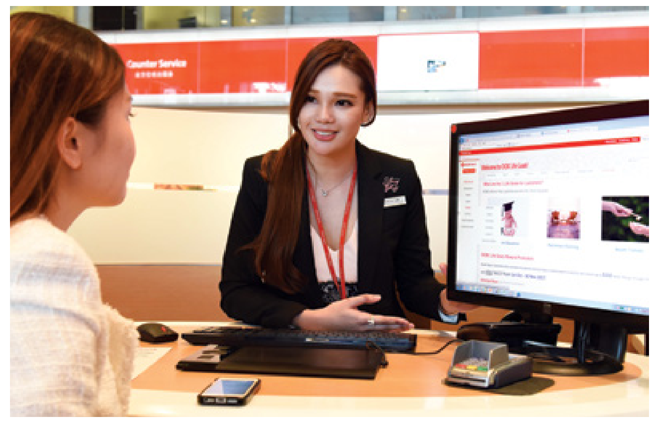
SELECTED POLICIES

- **OCBC Fair Dealing Framework**
  Establishes all required components for the delivery of the Fair Dealing outcomes
- **Product Suitability Policy, Guidelines and Committee**
  Governs the Bank's procedures for approving new investment products to ensure suitability for our target customer segments

SELECTED PRACTICES

- **Mandatory Annual E-Learning Course and Competency Assessment**
  Stresses importance of Fair Dealing and how to deliver the various Fair Dealing outcomes
- **Product Training and Knowledge Testing**
  Builds knowledge of wealth management products
- **Balanced Scorecard-Based Remuneration Framework**
  Requires sales staff to understand customer needs and make suitable product recommendations

Policies, processes and systems relating to Fair Dealing and product suitability are periodically reviewed and enhanced to ensure the delivery of desired customer outcomes. The Bank's Fair Dealing performance is reported to Group CEO and the Board on a quarterly basis.



Financial needs analysis is performed to ensure suitable products are recommended to customers

PERFORMANCE AND TARGETS

OCBC has established timebound metrics for employees to receive training and to respond to complaints. The performance on these metrics is monitored and reviewed closely.

100%

COMPLETION OF MANDATORY FAIR DEALING E-LEARNING COURSE

100%

OF THE FEW INCIDENTS CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELLING WERE RESOLVED SATISFACTORILY

Note: The training performance includes employees in Singapore and Malaysia

We remain fully committed to conducting our business with integrity and dealing fairly with our customers. We target zero non-compliance pertaining to Fair Dealing requirements.

RESPONSIBLE FINANCING

WHY THIS IS MATERIAL TO US
We recognise that promoting long-term sustainable development and providing financing that is in our customers' best interests are fundamental to our continuing success.

MANAGEMENT AND EVALUATION

Under a traditional ESG risk assessment approach, Responsible Financing focuses on protecting the environment and communities from untoward commercial interests. However, at OCBC Bank, we take a broader view of Responsible Financing beyond the traditional ESG considerations. Responsible Financing is about ensuring that every transaction makes sense for customers.

We are committed to advancing environmental and social progress and to conducting our business in a responsible manner. We integrate ESG considerations into our credit and risk evaluation process, as part of our holistic approach towards risk management. This helps us to better manage our risk exposure and generate long-term sustainable returns.

As a responsible lender, we encourage financial prudence through the assessment of our customers' repayment ability. We customise solutions to meet their financial needs through both good and difficult times. This involves working closely with our customers and offering appropriate solutions, such as restructuring outstanding loans and/or revising repayment plans for those that may be facing difficulties with meeting their repayment obligations.

SELECTED POLICIES

- **OCBC Responsible Financing Framework**
  Establishes an overall approach towards the management of ESG risks in lending activities
- **OCBC Responsible Financing Policy and Sectorial Policies**
  Sets out the criteria and guidelines for the assessment of clients and transactions in relation to ESG issues. For industries that could have adverse ESG impact, in particular fossil fuel-fired power generating facilities, enhanced due diligence is performed on the operational aspects of the customers' business activities. This includes seeking approval from the Reputational Risk Review Group on transactions with these customers

SELECTED PRACTICES

- **ESG Risk Assessment**
  Covers existing and new corporate and institutional borrowers
- **Mandatory Annual Training**
  Covers awareness of ESG matters and conducting of ESG risk assessment
- **Total Debt Servicing Ratio (TDSR) Analysis**
  Assesses borrowers' repayment ability so as to encourage financial prudence

Periodic ESG-related reporting is made to the Group CEO and Board Risk Management Committee (BRMC) on the progress of our Responsible Financing implementation. We continue to engage non-governmental organisations (NGOs) that share our view that sustainability is an ongoing journey for companies.

OTHERS

We acknowledge that certain industrial sectors are complex and have elevated ESG risks. For a better understanding of our lending exposure, please refer to Pillar 3 Disclosures on page 95.

PERFORMANCE AND TARGETS

We implemented our Responsible Financing – ESG Risk Assessment in 2017, keeping to our internal timeframe and meeting the expectations of The Association of Banks in Singapore (ABS). More performance indicators will be identified and tracked over time.

1,173

NO. OF EMPLOYEES WHO ATTENDED RESPONSIBLE FINANCING TRAINING

MET

THE ASSOCIATION OF BANKS IN SINGAPORE RESPONSIBLE FINANCING GUIDELINES – THREE PRINCIPLES

NO

TRANSACTIONS ESCALATED FOR REPUTATIONAL RISK REVIEW GROUP'S ASSESSMENT WERE APPROVED
Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group for review and clearance prior to credit approval

506

NUMBER OF CLIENT COMPLIMENTS RECEIVED BY COLLECTIONS DEPARTMENT

As a financial partner to our clients, we seek to positively influence their behaviour by engaging and supporting them in adopting appropriate sustainable practices over time.

COMBATING FINANCIAL CRIMES AND CYBER THREATS

WHY THIS IS MATERIAL TO US

We are required to comply with the notices issued by the Monetary Authority of Singapore (MAS), Bank Negara Malaysia, Indonesia's Financial Services Authority, the China Banking Regulatory Commission, the Hong Kong Monetary Authority and other regulators in the markets in which we operate for the prevention of money laundering and countering the financing of terrorism. We take cyber security seriously. This is imperative given that cyber attacks, which have risen in volume and intensity globally, raise data privacy concerns and have the potential to disrupt essential banking services.

MANAGEMENT AND EVALUATION

We adopt a holistic approach to ensure that all risks relating to money-laundering, financing of terrorism and cyber security are properly managed, mitigated and reported.

SELECTED POLICIES

- **OCBC Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Framework**
  Incorporates regulatory requirements under MAS Notice 626 and aligns with international and industry AML/CFT standards
- **OCBC Cyber Risk and Resilience Policy**
  Incorporates regulatory requirements and aligns with international industry guidance on cyber resilience

SELECTED PRACTICES

- **OCBC AML/CFT Programme**
  Ensures compliance with sanctions and performance of customer due diligence
- **OCBC Cyber Risk Awareness and Social Engineering Testing Programme**
  Educates all employees about cyber threats and continuously improves employee vigilance to guard against changing cyber threat landscape
- **OCBC Cyber Defence Programme**
  Continuously monitors network for cyber threats through a 24-hour Cybersecurity Operations Centre, with constant upgrades of our cyber defence capabilities
- **OCBC Business Continuity and Crisis Management Programme**
  Ensures minimal disruption of essential banking services during times of crisis, including cyber attacks, and raises employee crisis management capabilities

Group Legal and Regulatory Compliance regularly updates the Board and Management on the AML/CFT programme with a range of key risk indicators, trends, typologies and developments.

Please refer to AML/CFT Risk Management and Technology, Information and Cyber Risk Management on page 94.

OTHERS

To tackle the increasing scale and complexity of anti-money laundering (AML) monitoring, OCBC is among the first Singapore banks to tap artificial intelligence (AI) and machine learning to enhance the detection of suspicious activity. The use of this technology will significantly increase OCBC's operational efficiency and accuracy in this area.

OCBC is in an extended proof of concept, pre-implementation phase for the technology developed by fintech start-up ThetaRay. Upon its successful conclusion, OCBC targets to begin fully implementing the technology, which will run in parallel with its existing transaction monitoring system, in the second quarter of 2018.

PERFORMANCE AND TARGETS

OCBC has established performance metrics to track staff training attendance as well as breaches of security or applicable laws and regulations. These metrics are monitored and reviewed closely.

100%

SOCIAL ENGINEERING TESTING CONDUCTED AMONG EMPLOYEES TO RAISE VIGILANCE ABOUT CYBER THREATS

Note: Testing includes employees in Singapore, Malaysia, China, Hong Kong and our other network markets

100%

COMPLETION OF MANDATORY BIENNIAL AML AND CFT TRAINING AND ASSESSMENT

Note: The training performance includes employees in Singapore, Malaysia and our other network markets

100%

OF THE FEW CUSTOMER PRIVACY BREACHES WERE RESOLVED SATISFACTORILY

We will strive to maintain our good track record as we continuously enhance our capabilities in combating financial crimes and cyber threats.

ECONOMIC CONTRIBUTIONS

GROUP TOTAL INCOME (S$)

8.49B (2016)
9.64B (2017)

GROUP INCOME TAX (S$)

629M (2016)
803M (2017)

GROUP DIVIDENDS (S$)

1.51B (2016)
1.55B (2017)

RETAINED EARNINGS (S$)

20.26B (2016)
23.02B (2017)

GROUP STAFF COMPENSATION (S$)

2.35B (2016)
2.47B (2017)

TO

GROUP NUMBER OF EMPLOYEES

29,792 (2016)
29,174 (2017)

Note: To be consistent with our financial statements, we have included Great Eastern Group's performance in this table.

Our economic contributions arise from compensation to our employees, taxes to the authorities, retained earnings and dividends to our shareholders and payments to our suppliers. Where possible, we procure from local suppliers as part of our commitment towards supporting the long-term development of local enterprises. Local suppliers are sourced from our core markets of operations – Singapore, Malaysia, Indonesia, China and Hong Kong.

OCBC engages external service providers in IT, advertising and event management, outsourcing, HR recruitment, legal, real estate/ facilities maintenance and other services.

TOTAL SUPPLY CHAIN SPENDING (S$)

1.25B (2016)
1.18B (2017)

Note: The Total Supply Chain Spending includes spending in Singapore, Malaysia, China, Hong Kong and our other network markets

LOCAL SPENDING

88% (2016)
92% (2017)

LOCAL VENDORS

90% (2016)
90% (2017)

TOTAL VENDORS

9,873 (2016)
9,380 (2017)

FINANCIAL INCLUSION

WHY THIS IS MATERIAL TO US
Financial inclusion enables individuals and businesses to have access to useful and affordable financial products and services that meet their needs.

MANAGEMENT AND EVALUATION

Our stated Purpose is to be a bank that helps individuals and businesses across communities achieve their aspirations by providing innovative financial services to meet their needs. In addition, we continue to innovate digitally and have deployed technologies that allow us to deepen our engagement with customers through digital channels, extending our reach beyond physical branches.

SELECTED POLICIES

- **Comprehensive Suite of Products and Services and Unique Value Proposition**
  Serves customers throughout their life stages and across segments

SELECTED PRACTICES

- **Baby Bonus Bank and Mighty Savers® Programme**
  Enables children to start their financial journey from a young age
- **FRANK by OCBC**
  Equips youths with financial knowledge and avails investment and insurance products
- **OCBC Life Goals**
  Empowers customers to achieve their financial goals by adopting a structured, and needs-based approach
- **OCBC Business First Loan**
  Supports new businesses in their growth journey by providing funds in a quick, hassle-free way, under Singapore government-backed Enhanced SME Micro Loan Programme

We evaluate the effectiveness of our financial inclusion programmes by monitoring the level of product subscription over the years. This allows us to refine and enhance our programmes to better cater to the needs of customers.

Please refer to Serving Individuals through Different Life Stages on page 22 and Supporting the Full Spectrum of Businesses in their Growth Journey on page 26.

OTHERS

Bank OCBC NISP is aligned with the Indonesia National Strategy for Financial Inclusion (SNKI) and has the following programmes in place:

i. Promoting financial literacy among members of the public by equipping them with financial management tools, including helping housewives understand savings concepts

ii. Providing financial education to customers by organising market outlook and tax amnesty awareness events

PERFORMANCE AND TARGETS

OCBC has established performance metrics to track the performance of our product offerings and customer life stage value propositions.

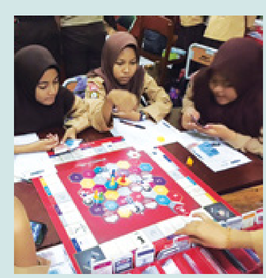
NO. 1 MARKET SHARE OF CHILD DEVELOPMENT ACCOUNTS IN SINGAPORE

7% INCREASE IN NUMBER OF CUSTOMERS WITH FRANK BY OCBC ACCOUNTS IN SINGAPORE

We will continue to promote financial inclusion through the offering of products and services that meet the needs of a broad range of customers, across their life stages.

CASE STUDY

BANK OCBC NISP INITIATIVE



EDUCATION AND ENTREPRENEURSHIP
The implementation of CSR activities in the social and community fields is guided by the Bank's CSR policies.

FINANCIAL EDUCATION AND LITERACY PROGRAMME
Access to financial services and the level of financial awareness remain low in certain areas. These become an obstacle to the financial independence and welfare of the communities. To address this issue, Bank OCBC NISP initiated the Financial Education and Literacy Programme, which aims to enhance financial inclusion. Under this programme, the Bank created a board game "Smart Future". This board game is shared with senior high school students in major Indonesian cities and promotes the learning of financial management skills from an early age.

CUSTOMER EXPERIENCE

WHY THIS IS MATERIAL TO US
Our customers are fundamental to our business. As the needs and expectations of customers evolve, we are focused on continuously delivering superior customer experience in order to deepen our engagement and forge enduring relationships with them.

MANAGEMENT AND EVALUATION

We are committed to designing experiences that will make banking with us simpler and more seamless across customer channels and touchpoints.

SELECTED POLICIES

- **Customer Problem Statement-Focused Approach**
  Focuses on customer experience and innovation

SELECTED PRACTICES

- **Dedicated Teams (e.g. digital channels and branch services)**
  Drives active engagement with target customer segments

A key metric we use is the Net Promoter Score (NPS), formulated by our Customer Experience team, which evaluates the proficiency and service level of our customer touchpoints. Quarterly NPS studies are regularly reviewed by the Service Excellence Council, which is chaired by the Group CEO and attended by all division heads.

Please refer to Serving Individuals through Different Life Stages on page 22 and Supporting the Full Spectrum of Businesses in their Growth Journey on page 26.

Ms Cindy Ong, Branch Manager at our Ang Mo Kio branch, was recognised with The Association of Banks in Singapore (ABS) Service Excellence Champion 2017 award

PERFORMANCE AND TARGETS

We have been awarded the following accolades, which recognise our efforts in deepening customer engagement:

Highest number of winners across financial industry for the third consecutive year
Excellent Service Award (EXSA) 2017

Asia Pacific's Leader in Smart Payments Experience
IDC Financial Insights Innovation Awards 2017

Best Internet Bank
International Finance Magazine Awards 2016

Best Online Trading Platform and Best Mobile Trading App – Singapore
OCBC Securities
Global Banking & Finance Review Awards 2016

1ST

NET PROMOTER SCORE (NPS) AMONG PRIMARY BANK CUSTOMERS – J.D. POWER SINGAPORE RETAIL BANKING SATISFACTION STUDY (2017)

FIRST-TO-MARKET

DIGITAL INNOVATIONS

We have been a frontrunner in digital innovation as part of our continuous efforts to meaningfully improve our customers' banking experience. We will continue to foster a culture of innovation internally, while leveraging external expertise through collaborations with fintech companies, to harness the power of digital technology and deepen customer engagement.

Our Innovation Lab was formed in 2013 to provide employees with a dedicated space to test ideas and build prototypes

COMMUNITY DEVELOPMENT

WHY THIS IS MATERIAL TO US
Giving back to society is an integral part of our corporate culture. Through our community engagement and environmental sustainability efforts, we promote community development in the markets we operate in and help to shape a healthy, growing and inclusive society.

OCBC CSR THEMES

ELDERLY

MEETING THE HEALTH AND SOCIAL INTERACTION NEEDS OF AN AGEING POPULATION

FAMILIES

SUPPORTING COHESION

ENVIRONMENTAL SUSTAINABILITY

PROMOTING ENVIRONMENTALLY RESPONSIBLE BEHAVIOUR AND CONSERVATION EFFORTS

SPECIAL NEEDS PEOPLE

ENCOURAGING SOCIETAL ACCEPTANCE

Please refer to #OCBCCares Programme on page 34.

INCLUSIVE WORKFORCE

EMPLOYER OF CHOICE

WHY THIS IS MATERIAL TO US
Our employees are critical assets of the Bank and it is therefore imperative that we invest in and support them in their development. This belief is enshrined in People, one of our core values. An inclusive workforce allows individuals to contribute effectively and provides the organisation with diverse perspectives, skills and talents.

MANAGEMENT AND EVALUATION

We are committed to creating a work environment where we embrace differences and recognise the value and contributions of individuals.

SELECTED POLICIES

- **OCBC Employer Brand**
  Articulates our people programmes and policies anchored on our three Employer Brand pillars (Caring, Progressive, Delivering a Difference)

SELECTED PRACTICES

- **Group Internal Job Posting Programme**
  Encourages career mobility and fosters a continuous learning culture
- **Life Refresh Programme**
  Supports mature employees in managing their careers and planning ahead for retirement
- **On-Site Childcare Centre**
  Offers convenient childcare option for employees with young children
- **HR in Your Pocket (HIP) Mobile Application**
  Gives employees access to HR services on the go, facilitated by artificial intelligence-powered chatbot

Management is committed to receiving regular employee feedback and acting on the findings from the Bank's biennial employee engagement survey. Policies and programmes will continue to be enhanced to attract, engage, develop and retain a diverse employee group.

To celebrate NS50, many of our employees showed up at work on 30 June 2017 decked out in their military uniforms, while others came dressed in camouflage patterns to pay tribute to our national servicemen

SUPPORTING NATIONAL DEFENCE

At OCBC, we believe that National Service is both the backbone and the frontline of Singapore's national defence. As an NS Mark-accredited company, we fully support our employees contributing to nation-building. We effectively accommodate our employees' NS duties by arranging for their work to be covered during the time they are away. As part of the celebration of NS50, many of our employees came to work in their uniforms on 30 June 2017. We also shared their inspiring stories with our colleagues.

PERFORMANCE AND TARGETS

OCBC has received the following awards which speak to our strong employment practices:

Best Employer (Singapore and Malaysia)
Aon Best Employers Programme
2016 – 2017

Excellence in Learning & Development
Gold
HR Excellence Awards 2017

Excellence in Graduate Recruitment & Development
Gold
HR Excellence Awards 2017

We will continue to work on our people programmes to deepen employee engagement and enhance our employment practices.

Legend
- Male
- Female
- <30 years old
- ≥30 and <50 years old
- ≥50 years old
- VP and above
- AVP and Management Associates
- Managers and Associates
- Non-executives

OUR STATISTICS

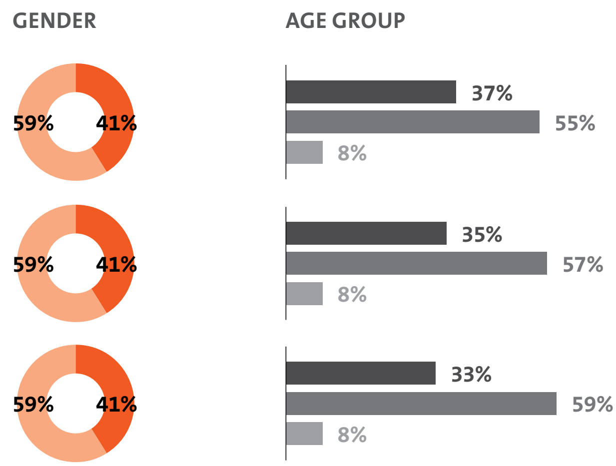
Note: The statistics include employees in Singapore, Malaysia, Indonesia and China

WORKFORCE (PERMANENT + CONTRACT STAFF)

2015
Total 21,211

2016
Total 21,771

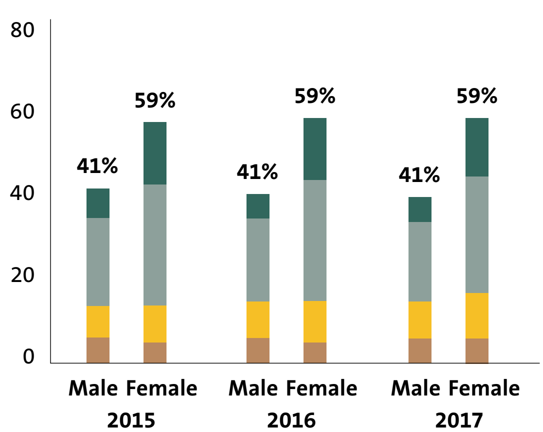
2017
Total 21,554



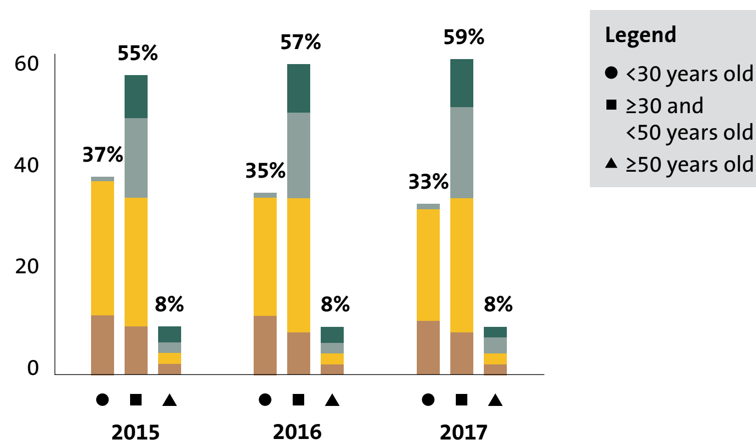
EMPLOYMENT NATURE

	Permanent	Contract
2015	97%	3%
2016	97%	3%
2017	97%	3%

EMPLOYEE CATEGORY BY GENDER



EMPLOYEE CATEGORY BY AGE GROUP

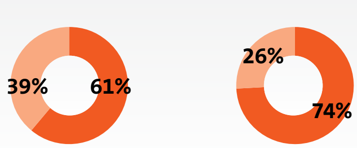


GOOD REPRESENTATION OF FEMALE LEADERS

Women hold a range of vital roles across the OCBC Group, in line with our belief in equality in the workplace. Our commitment to building a diverse workforce is further exemplified by the presence of women in senior management and leadership positions.

LEADERSHIP POSITIONS

SENIOR MANAGEMENT POSITIONS



CASE STUDY

To celebrate **International Women's Day**, we hosted a series of activities centred around the theme of "**Inspiring Women, Empowering Women**" throughout March 2017.

In one of the key activities, OCBC employees from Singapore, Malaysia, Indonesia, Hong Kong and Macao were asked to send in stories about women who inspired them. Thirty women, ranging from mothers to politicians, stood out in these stories and were selected to be featured in a mural collage. This collage was displayed at the OCBC Centre foyer in Singapore from 6 to 8 March 2017.

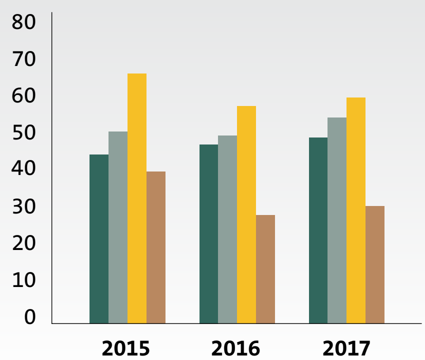
Legend
- Male
- Female
- <30 years old
- ≥30 and <50 years old
- ≥50 years old
- VP and above
- AVP and Management Associates
- Managers and Associates
- Non-executives

OUR COMMITMENT TO TRAINING AND DEVELOPMENT

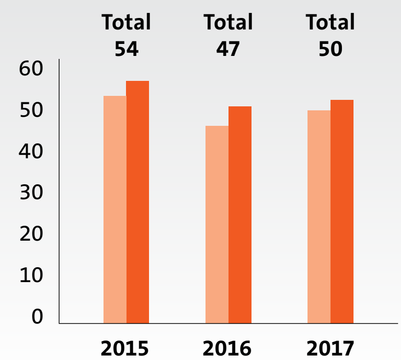
MORE THAN
3,200
PROGRAMMES

We believe in taking a holistic approach to training and developing our employees. We equip them with more than banking and technical skills by offering a wide spectrum of programmes, covering areas ranging from leadership to emerging fields such as data analytics. This is central to our commitment to helping our employees realise their full potential.

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY



AVERAGE TRAINING HOURS BY GENDER

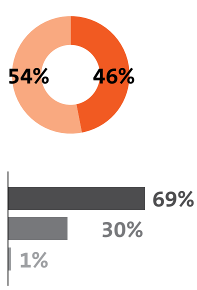


NEW HIRES (PERMANENT STAFF ONLY)

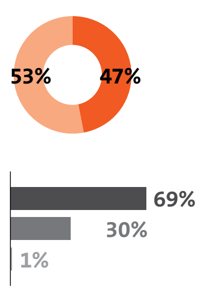
GENDER

AGE GROUP

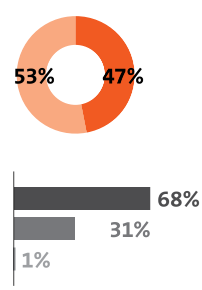
2015
Total 4,007



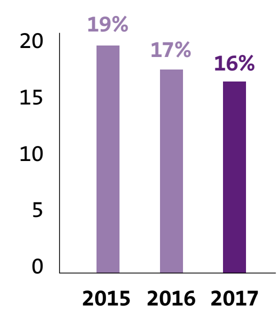
2016
Total 3,722



2017
Total 3,483



PROPORTION OF TOTAL WORKFORCE

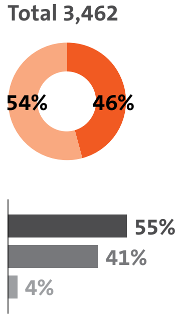


ATTRITION (PERMANENT STAFF ONLY)

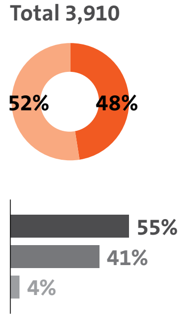
GENDER

AGE GROUP

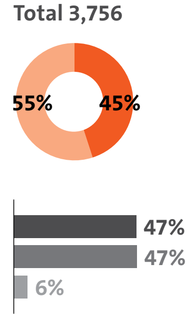
2015
Total 3,462



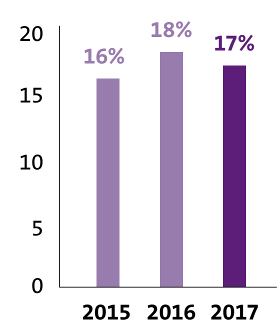
2016
Total 3,910



2017
Total 3,756



PROPORTION OF TOTAL WORKFORCE



ENVIRONMENT

WHY WE HAVE ADDITIONALLY DISCLOSED THIS
The environmental impact arising from the operational activities of financial institutions is relatively small, compared to companies operating within the industrial sector. But we realise that environmental sustainability is of prime importance to Singapore and the world at large. In this regard, we have decided to additionally disclose our environmental impact despite it not being a material ESG factor to the Bank.

MANAGEMENT AND EVALUATION

This disclosure focuses on our electricity and water consumption, as well as our generated carbon emissions in accordance with the GRI Standards that apply to the environmental impact from an organisation's operations.

We are committed to ensuring that our building and branch operations are environmentally friendly and create minimal impact on the environment. Our Group Property Management division adopts recycling and energy-saving measures in our buildings, including the installation of automatic sensor taps and energy-saving lighting and air-conditioning systems.

One way we evaluate our environmental impact is through our utilities bills, which reflect our consumption of resources. If there are significant variances across the months, we will conduct an analysis to understand the causes. This will also help us better manage consumption in future.

OTHERS

We introduced the #OCBCCares Fund for the Environment in 2017 to fund projects that have a sustainable and positive impact on the environment, paying out a total of up to S$100,000 annually.

Please refer to #OCBCCares Programme on page 34.

PERFORMANCE AND TARGETS

	2016	2017
Electricity usage (kWh '000)	80,462	84,672
Electricity usage intensity (kWh/sf)	21.3	22.4
Carbon emission* (Tonne CO_2)	40,242	41,200
Carbon emission intensity (kg CO_2/sf)	10.6	10.9
Water usage (m^3)	410,114	402,255
Water usage intensity (m^3/sf)	0.1	0.1

* Emission Factor Source: Institute of Global Environment Strategies (IGES) – IGES Grid Emission Factors Version 9.2

We will continue to seek new solutions to reduce our environmental impact across our operations.

CASE STUDY

INITIATIVE TO REDUCE PLASTIC WASTE

OCBC employees doing their part to reduce plastic waste by serving water to branch visitors in 100% biodegradable cups

Our Consumer Financial Services (CFS) division embarked on an initiative in September 2017 to eliminate single-use plastic materials. Our colleagues were inspired to take action after an organised coastal clean-up event at the Pasir Ris beach in Singapore, where they witnessed 1.5 tonnes of trash collected within two hours – the bulk of it being unrecycled plastic waste.

The first task, as part of developing an environmentally sustainable culture within our premises, was to eliminate the use of plastic bottled water at our CFS Singapore headquarters. This was then extended to the entire network of branches in Singapore. As a replacement, we now serve water in 100% biodegradable cups to our customers and visitors. This simple act has saved an estimated 70,000 single-use plastic bottles since the start of the initiative and will save an estimated 5,000kg of plastic waste annually.

CASE STUDY

OUR GREEN MARK-CERTIFIED BUILDINGS

BCA GREEN MARK

We constantly explore ways to minimise the carbon footprint arising from our operations and have a total of seven buildings that have been accorded Green Mark status by the Building and Construction Authority (BCA) in Singapore.

These include our headquarters, **OCBC Centre** (pictured to the left), which is the oldest historic site in Singapore to achieve the Green Mark Gold certification. OCBC Centre was completed in 1976 but extensively retrofitted in 2011, which reduced its annual consumption of electricity by about 2.7 million kWh and of water by 17,000m^3. We also successfully renewed the Green Mark certifications for OCBC Tampines Centre One and OCBC Tampines Centre Two in 2017.

GREEN MARK PLATINUM STATUS AWARDED TO OUR DATA CENTRE

In 2017, we completed the construction of a data centre that was certified with the BCA-IMDA Green Mark Platinum Award – the highest standard achievable in Singapore. Utilising water-based cooling systems and cold-aisle containment technology that significantly reduce the energy required for cooling, as well as a **diesel rotary uninterruptible power supply system** (pictured below) that ensures efficient power usage, the data centre is 30% more energy efficient than other standard data centres in Singapore and the rest of the region. The amount of energy saved will result in about S$500,000 in cost savings per year.

CORPORATE GOVERNANCE

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. The Bank complies with the Banking (Corporate Governance) Regulations 2005 and adopts in all material aspects the principles laid down under the corporate governance guidelines issued by the Monetary Authority of Singapore ("MAS") that comprises the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Code of Corporate Governance 2012 (the "Code") and supplementary principles and guidelines prescribed by the MAS.

A summary of the disclosures made pursuant to the Bank's corporate governance arrangements are provided on pages 78 to 80 of this Annual Report.

BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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 interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Bank has a board charter approved by the Board.

Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy as well as organisation structure, as developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank operates in such a way as to preserve its financial integrity and in accordance with policies approved by the Board;
- 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 Management Committee, the quality of the risk management processes and systems;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with its strategic intent, the operating environment and effective internal controls, as well as capital sufficiency and regulatory standards;
- overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and 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;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- establishing corporate values and standards, emphasising 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;
- overseeing, through the Nominating Committee, the appointments, re-election and resignation of Directors of the Bank as well as the appointment, dismissal and resignation of senior management, ensuring that principles of transparency and meritocracy are observed;
- overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework, and ensuring that remuneration practices are aligned to and in accord with the remuneration framework;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, including interim and other price-sensitive public reports as well as reports to regulators;
- ensuring that obligations to shareholders and others are understood and met;
- maintaining records of all meetings of the Board and Board Committees, particularly records of discussion on key deliberations and decisions taken;
- identifying the key stakeholder groups, recognising that perceptions affect the Bank's reputation; and
- considering sustainability issues, e.g. environmental and social factors, as part of strategy formulation.

Board Approval

The Bank has documented internal guidelines for matters that require Board approval. Matters which are specifically reserved for Board approval, amongst others, are:

- material acquisition and disposal of assets;
- corporate or financial restructuring; and
- share issuance, dividends and other returns to shareholders.

CORPORATE GOVERNANCE

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and management to optimise operational efficiency.

Board Committees

While the Board has ultimate responsibility for the affairs of the Bank, various Board committees have been established to assist the Board in discharging its duties more effectively. The Board committees have clearly-defined terms of reference and changes to the terms require Board approval. The Board and its Committees maintain records of all meetings setting out in detail key deliberations and decisions taken. The minutes of each Committee meeting are also circulated to members of the Board who are not members of that particular Committee. The composition and summary terms of reference of each of these committees are as follows.

- **Executive Committee**

The Executive Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Lee Tih Shih, Mr Quah Wee Ghee, Mr Tan Ngiap Joo, Mr Samuel N. Tsien and Mr Wee Joo Yeow. A majority of the Committee, i.e. Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow, are independent Directors.

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

The Executive Committee oversees – within the parameters delegated by the Board – the management of the business and affairs of the Bank and the Group. 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 such special reviews and actions as are appropriate for the prudent management of the Bank.

- **Nominating Committee**

The Nominating Committee comprises Mr Tan Ngiap Joo (Chairman), Mr Ooi Sang Kuang, Mr Lai Teck Poh, Dr Lee Tih Shih and Mr Wee Joo Yeow. A majority of the Committee, i.e. Mr Tan Ngiap Joo, Mr Ooi Sang Kuang, Mr Lai Teck Poh and Mr Wee Joo Yeow, are independent Directors.

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 plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes reviewing all nominations for the appointment, election or re-election – as well as resignations – of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. In addition, it reviews nominations for and dismissals or resignations of senior management positions in the Bank, including the Chief Executive Officer ("CEO"), Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Chief Information Officer (Head, Group Operations and Technology). It makes recommendations to the Board on all such appointments, including the compensation package for offer of employment, promotion and cessation of employment. The Nominating Committee reviews obligations arising in the event of the termination of the contracts of service of executive Directors and senior management, to ensure such contracts contain fair and reasonable termination clauses.

- **Audit Committee**

The Audit Committee comprises Mr Chua Kim Chiu (Chairman), Mr Lai Teck Poh, Ms Christina Ong and Mr Tan Ngiap Joo. All the Committee members are independent Directors. Three members, including the Chairman, have recent and relevant accounting or related financial management expertise or experience. The members have not been partners or directors of KPMG, the external auditors, and none of them hold any financial interest in KPMG.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual and MAS' corporate governance regulations and guidelines.

The Committee has written terms of reference that describe the responsibilities of its members. The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time and no fewer than four times a year. 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.

Further information on the Audit Committee is provided under Principle 12 on pages 74 and 75.

- **Remuneration Committee**

The Remuneration Committee comprises Mr Wee Joo Yeow (Chairman), Mr Ooi Sang Kuang, Ms Christina Ong, Mr Quah Wee Ghee and Mr Tan Ngiap Joo. All are independent Directors well-versed in 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 recommends to the Board a framework for determining the remuneration of executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It is empowered to review the human resource 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 and Directors. In addition, the Remuneration Committee administers the various employee share ownership schemes. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by MAS from time to time.

- **Risk Management Committee**

The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Lai Teck Poh (Chairman), Mr Ooi Sang Kuang, Mr Chua Kim Chiu, Mr Pramukti Surjaudaja, Mr Samuel N. Tsien and Mr Wee Joo Yeow. All the Committee members, except Mr Samuel N. Tsien, are non-executive Directors. Members of the Committee have relevant technical financial understanding in risk disciplines or business experience. Mr Lai Teck Poh and Mr Chua Kim Chiu also serve on the Audit Committee. The common membership helps to facilitate communication and foster the sharing of information and knowledge between the two committees.

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

The Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, including the risk profile, risk tolerance level and risk strategy. The Committee reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures. It also oversees the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis, including ensuring the adequacy of risk management practices for material risks. The Chief Risk Officer has a direct reporting line to the Committee as well as to the CEO.

Activities performed by Risk Management Committee are also described under the caption “Risk Management” on pages 84 to 94.

Directors’ Attendance at Board and Board Committee Meetings in 2017

In 2017, the Board and its committees held a total of 25 meetings. The Bank’s Constitution provides for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

Name of Director	Board		Executive Committee		Audit Committee	
	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended
Ooi Sang Kuang	5	5	3	3	–	–
Chua Kim Chiu [2]	1	1	–	–	1	1
Lai Teck Poh	5	5	–	–	5	5
Lee Tih Shih	5	5	3	3	–	–
Christina Ong	5	5	–	–	5	5
Quah Wee Ghee	5	5	3	3	–	–
Pramukti Surjaudaja	5	5	–	–	–	–
Tan Ngiap Joo	5	5	3	3	5	5
Teh Kok Peng [3]	3	3	–	–	–	–
Samuel N. Tsien	5	5	3	3	–	–
Wee Joo Yeow	5	5	3	3	–	–

Name of Director	Nominating Committee			Remuneration Committee		Risk Management Committee	
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Scheduled Meeting	
	Held [1]	Attended	Attended	Held [1]	Attended	Held [1]	Attended
Ooi Sang Kuang	2	2	1	3	3	6	6
Chua Kim Chiu [2]	–	–	–	–	–	–	–
Lai Teck Poh	2	2	1	–	–	6	6
Lee Tih Shih	2	2	1	–	–	–	–
Christina Ong	–	–	–	–	–	–	–
Quah Wee Ghee	–	–	–	3	3	6	6
Pramukti Surjaudaja	–	–	–	–	–	6	6
Tan Ngiap Joo	2	2	1	3	3	–	–
Teh Kok Peng [3]	–	–	–	2	2	–	–
Samuel N. Tsien	–	–	–	–	–	6	6
Wee Joo Yeow	2	2	1	3	3	6	6

Notes:

(1) Reflects the number of meetings held during the time the Director held office.

(2) Appointed to the Board and Audit Committee with effect from 20 September 2017.

(3) Stepped down from the Board and Remuneration Committee with effect from 1 July 2017.

Board Orientation and Development
A formal appointment letter and a director's handbook are provided to every new Director. The handbook sets out, along with other corporate information, the time commitment required and the duties and obligations of Directors, as well as relevant rules and regulations such as those relating to the Banking Act and SGX-ST Listing Manual. The Bank conducts a focused orientation programme, presented by the CEO and senior management, to familiarise new Directors with its business and governance practices. The programme also enables the new Directors to be acquainted with senior management, thereby facilitating the latter's interaction with and access to the Directors. Arrangements are made for new Directors to visit the Bank's operations and facilities.

On a continuing basis, the Directors receive appropriate development to perform their roles on the Board and its committees. This includes updates on regulatory developments and their impact on business, new business and products, accounting and finance, corporate governance, risk management and anti-money laundering issues as well as Fintech and cyber security, which are provided by subject matter experts from within and outside the Bank. When deciding on the scope of the development to be provided, the knowledge and skills required to enable Directors to properly discharge their duties as members of the Board and its committees are taken into account.

The Directors participate in external courses as and when needed, including participation in programmes conducted by the Singapore Institute of Directors, where relevant. The Bank funds the training and development programmes that it arranges for existing and new Directors. There is a formal record of all attendance at training sessions.

Training and updates provided to Directors in 2017 were on subjects that included:

- Blockchain as an Enabler
- Insurance Innovations in the Internet Era
- Implementation of Financial Reporting Standard 109
- Cyber Security Advance Capabilities and Cyber Risk Program for Board
- FinTech Developments – Cloud Computing
- Technological Disruption – Key Trends and Insights
- Trend of Indonesian Economics and Politics
- Bank's State of Readiness against Cyber Threats
- Anti-Money Laundering/Countering the Financing of Terrorism
- Recent Developments in Islamic Banking in Malaysia
- Key Capabilities of the Bank's Data Centre and Command Centre
- Guiding Principles for Digitalisation and Approach Adopted by the Bank

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE
The Bank has majority representation of independent Directors on its Board. The Nominating Committee reviews the independence of Directors at least annually in accordance with internal due diligence procedures and self-declarations by the Directors.

An independent Director in OCBC Bank is one who is independent of any management, substantial shareholder, business relationship with the Bank, and who has not served for more than nine years on the Board. The Board at present comprises ten Directors of whom seven, a majority, are independent Directors. They are Mr Ooi Sang Kuang, Mr Chua Kim Chiu, Mr Lai Teck Poh, Ms Christina Ong, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow.

Ms Christina Ong is senior partner and co-chairman of Allen & Gledhill LLP ("A&G"), which provides legal services to and receives fees from the Bank. Her interest in A&G is however less than five per cent. She is also an independent director of Singapore Telecommunications Limited which provides telecommunication services to and receives payments from the Bank, not unlike many organisations in Singapore. The Nominating Committee is of the view that these business relationships do not affect her disposition to act independently.

Dr Lee Tih Shih is not independent of a substantial shareholder. Mr Samuel N. Tsien and Mr Pramukti Surjaudaja are not independent of management. Mr Samuel N. Tsien is executive Director and CEO. Mr Pramukti Surjaudaja has an immediate family member, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk.

The Board assesses the diversity of its members' competency profiles, including for gender representation, and determines the collective skills required to discharge its responsibilities effectively. Steps are taken to improve effectiveness where necessary. It is assessed that the members of the Board as a group provide skills and competencies that ensure the effectiveness of the Board and its committees. These 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 14 to 17.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, 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.

Separate sessions are also arranged for the independent Directors to meet at least once a year to ensure effective corporate governance in managing the affairs of the Board and the Bank.

Each year, the Board and senior executives meet to develop or refresh strategies for the Group.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER
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 in 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 executive and non-executive Directors; and promoting high standards of corporate governance. The Bank does not appoint a Lead Independent Director as the Chairman is an independent Director.

PRINCIPLE 4: BOARD MEMBERSHIP
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 Constitution provides for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by MAS. During the year, Dr Teh Kok Peng stepped down from the Board on 1 July 2017, while Mr Chua Kim Chiu was appointed to the Board on 20 September 2017.

The Nominating Committee, responsible for board succession, ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. It reviews all nominations for the appointment, election or re-election - as well as resignations - of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee. It is also charged with determining annually whether or not a Director is independent, capable of carrying out relevant duties and qualified to remain in office.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required, and makes recommendations to the Board on the appointment of new Directors, when necessary. 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 Constitution, the new Director will hold office until the next AGM and, if eligible, may then stand for re-election.

The Nominating Committee reviews the board size annually and it considers the current number of Board members to be appropriate given the size of the Group, its business complexity and the number of Board committees.

The Bank does not, as a matter of practice, appoint alternate directors.

Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. They must provide declarations of any changes in their other appointments, which are disseminated to all Board members. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director can assume. The Nominating Committee, based on the guidelines established, assesses annually each Director's attendance record and degree of participation at meetings. In respect of other appointments, it takes into account - among various factors - the nature of an appointment (full-time or otherwise), number of meetings to attend, complexity of organisation and degree of participation in sub-committees. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three other listed companies, while a Director who has no full-time employment shall have appointments in no more than six other listed companies.

Key information on the Directors' qualifications and appointments are provided on pages 14 to 17 while information on their shareholdings in the Bank and its related corporations are provided in the Directors' Statement on pages 148 to 153.

PRINCIPLE 5: BOARD PERFORMANCE
The Board has 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.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees whilst the Chairman and Nominating Committee Chairman evaluate the performance of each Director and meet to discuss the matter. 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 to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairman and/or Nominating Committee 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.

PRINCIPLE 6: ACCESS TO INFORMATION
As a general rule, Directors are provided with complete information related to agenda items about seven days before each meeting to allow adequate time for review. Directors are also equipped with electronic tablets that allow secure access to Board and Board Committee meeting materials. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, operating plans, forecasts, and reports of variances from operating plans and forecasts.

The Board and its committees have unfettered access to information which the Bank is in possession of and to the Bank's senior management and company secretary. The Directors, individually or as a group, can also take independent professional advice from legal firms at the Bank's expense. The role of the Company Secretary is defined. The Company Secretary attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its committees and between senior management and non-executive Directors, and facilitates the 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.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain talented and competent staff globally. The Board ensures that 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 or key executives.

The Remuneration Committee is tasked to review and recommend to the Board the general remuneration framework as well as the specific remuneration for each director and for each key executive. The composition and summary terms of reference of the Remuneration Committee are provided on pages 64 and 65. No member of the Remuneration Committee is involved in the deliberations regarding any remuneration, compensation, options or any form of benefits to be granted to himself.

In its review of the Bank's remuneration practices, the Remuneration Committee can seek expert advice, if necessary. No consultant was engaged in 2017 to provide remuneration advice.

The Bank's remuneration policy is applied to all OCBC overseas branches and the following subsidiaries:

- Bank of Singapore Ltd
- OCBC Management Services Pte Ltd
- OCBC Securities Pte Ltd
- OCBC Investment Research Pte Ltd
- BOS Trustee Ltd
- e2 Power Pte Ltd
- e2 Power Sendirian Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- OCBC Wing Hang Bank Ltd
- OCBC Wing Hang Bank (China) Ltd

The Bank does not provide for any termination, retirement or post-employment benefits to executive Directors or the top five key management personnel.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Compensation for Non-Executive Directors

OCBC's remuneration for non-executive Directors is intended to attract capable individuals to the Board, as well as retain and motivate them in their roles as non-executive Directors. It aligns their interests with those of shareholders, is competitive in the region and recognises individual contributions. The remuneration for non-executive Directors is subject to shareholder approval at the AGM.

The Remuneration Committee has considered market practices for non-executive director compensation. On its recommendation, the Board has decided to maintain the fee structure unchanged from the previous year.

The fee structure is as follows:

- Board chairman's fee — S$1,400,000
- Retainer fee — S$45,000
- Committee chairperson's fee for the Audit, Risk Management and Executive Committees — S$70,000
- Committee chairperson's fee for the Nominating and Remuneration Committees — S$40,000
- Committee member's fee for the Audit, Risk Management and Executive Committees (committee chairpersons are not awarded these fees) — S$40,000
- Committee member's fee for the Nominating and Remuneration Committees (committee chairpersons are not awarded these fees) — S$20,000
- Attendance fee per meeting — S$3,000

The resolution proposing the fee for non-executive Directors will be presented to shareholders at the AGM in April 2018.

In the previous year, shareholders had approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interests of non-executive Directors with the interests of shareholders. At the recommendation of the Remuneration Committee, the Board has decided to continue with the granting of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served on the Board for less than a full financial year will be awarded shares on a pro-rated basis, according to how long he has served. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2018.

Compensation for Executive Directors

The compensation for an executive Director is formulated and reviewed annually by the Remuneration Committee to ensure that it is market-competitive and that the rewards are commensurate with the contributions made. 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 executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on the granting of share options to the executive Director are similar to those for the executives of the Bank.

Employee Remuneration

The total compensation packages for employees comprise basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach. Where relevant, financial measurements - adjusted as appropriate for the various types of risk (such as market, credit and operational risks) - include:

- Operating efficiency measures covering revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

There were no significant changes to the above measures during 2017.

Each business unit has its own performance measures that match their functions and objectives and these objectives are consistent with the Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. Executives are remunerated based on their own performance measures, while taking into account market compensation data for their respective job roles.

The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on achievement related to their respective performance measures. Market compensation data on risk and compliance functions is also taken into account for remuneration.

In determining the composition of compensation packages, the Bank takes into account the time horizon of risk and includes, in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares and share options. All awards of deferred shares or grants of share options are subject to cancellation and clawback if it is determined that they were granted on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating. To ensure that its remuneration packages are competitive, the Bank regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Bank's variable bonus pool is fully discretionary and the factors taken into consideration include the Bank's performance, market conditions and competitive market practices.

The Bank adopts a performance-driven approach to compensation. Compensation packages are linked to personal performance, the performance of the organisational function as a whole and the overall performance of the Bank. Compensation is reviewed each year based on information from market surveys provided by reputable management consultants.

As a consequence of the last financial crisis, the Financial Stability Forum ("FSF") developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. The Remuneration Committee made changes to the Bank's compensation structure to increase the proportion of the deferred remuneration component for senior executives. The Bank's compensation practices are reviewed annually by McLagan (a business division of Aon Hewitt) which has confirmed for 2017 that the Bank had met the FSF principles and implementation standards.

The Bank has identified a group of senior executives whose authority and actions are deemed to have a major influence on the long term performance of the Bank. This group, identified as "Material Risk Takers" comprises senior management (the CEO and his direct reports), employees of senior vice president rank and above, key personnel at business units, senior control staff, and employees who had been awarded significant variable performance bonuses. For the "Material Risk Takers" with bonuses of at least S$70,000 or more, at least 40% of their variable performance bonuses are deferred in the form of deferred shares and share options. The Board approves the compensation of the CEO, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Information Officer (Head, Group Operations and Technology) and Head, Global Treasury, and the Remuneration Committee approves the compensation of all other senior executives of Senior Vice President rank and above, as well as the top five employees who had been awarded significant variable performance bonuses who are below the rank of Senior Vice President.

The performance evaluation for senior executives in 2017 has been conducted in accordance with the above objectives and considerations.

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

Share Schemes

OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("the Scheme") seeks to inculcate in all participants a stronger and long-term sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. It forms a portion of executives' variable compensation and serves to align the Bank's compensation with the sustained long-term performance of the Bank. 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 Scheme.

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

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 date of grant. No options have been granted at a discount to the price as determined above since the commencement of the Scheme.

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

	Percentage of shares for 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 upon termination of employment or appointment, except in the event of retirement, redundancy or 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. Shares granted upon the exercising of options are allocated from treasury shares or from new ordinary shares issued by the Bank.

All grants are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating.

OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("the Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. 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 2017, the participants are executives of the Bank, selected overseas locations and subsidiaries.

Share awards are granted annually to eligible executives who are paid variable performance bonuses of S$70,000 or more. The share awards form 20% to 40% of their total variable performance bonus for the year. Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights for the shares.

Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan. The unvested deferred share grants will be adjusted to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment may be acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately upon termination of employment or appointment, except in the event of retirement, redundancy or 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.

All awards are subject to cancellation and clawback if it is determined that they were granted on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating.

During the financial year, an aggregate of 6,291,099 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 for all employees of the participating companies in the Group, including executive Directors, 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 to withdraw the contributions at any time. 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 the offering period is 24 months and the share acquisition price is fixed before the offering period based on the average of the last traded prices over the five consecutive trading days immediately preceding the price fixing date. Shares granted upon conversions in accordance with the rules of the ESPP are allocated from treasury shares or from new ordinary shares issued by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the ESPP, together with the aggregate number of new ordinary shares issued pursuant to the Scheme, cannot exceed 15 per cent of the Bank's total number of issued ordinary shares. Notwithstanding the limits allowed under the relevant rules, the Bank had been applying a lower aggregate limit of five per cent instead of 15 per cent as a matter of conservative practice.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The following disclosures should be read in conjunction with the remuneration policies, practices and share plans as described under Principles 7 and 8.

Directors' Remuneration in 2017

Bank

Director	Fees [b]	Remuneration Shares [b] [c]	Other Benefits [d]	Total
	S$'000	S$'000	S$'000	S$'000
Ooi Sang Kuang	1,550	81	35	1,666
Chua Kim Chiu [a]	38	23	–	61
Lai Teck Poh	235	81	–	316
Lee Tih Shih	147	81	–	228
Christina Ong	118	81	–	199
Quah Wee Ghee	199	81	–	280
Pramukti Surjaudaja	121	81	–	202
Tan Ngiap Joo	275	81	–	356
Teh Kok Peng [a]	48	40	–	88
Wee Joo Yeow	248	81	–	329
	2,979	711	35	3,725

Director & CEO	Salary	Bonus	Share Options [e]	Deferred Shares	Other Benefits [d]	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Samuel N. Tsien	1,242	5,031	839	2,515	61	9,688

Notes:

[a] Mr Chua Kim Chiu appointed to the Board and Audit Committee with effect from 20 September 2017. Dr Teh Kok Peng ceased to be a Board member and Remuneration Committee member with effect from 1 July 2017.

[b] Fees and remuneration shares for non-executive Directors are subject to approval by shareholders at the 2018 AGM.

[c] Value of remuneration shares was estimated based on closing price of ordinary shares on 21 March 2018, i.e. S$13.42.

[d] Non-cash component such as club and car benefits.

[e] Option to acquire 409,643 ordinary shares at an acquisition price of S$13.34 each. Exercise period is from 22 March 2019 to 21 March 2028. The option is valued using the Binomial valuation model.

Subsidiaries

Director	Fees
	S$'000
Ooi Sang Kuang	227 [f]
Lai Teck Poh	227 [g]
Quah Wee Ghee	212 [h]
Pramukti Surjaudaja	738 [i]
Tan Ngiap Joo	168 [j]
Wee Joo Yeow	144 [k]

Notes:

[f] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and OCBC Wing Hang Bank.

[g] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and PT Bank OCBC NISP.

[h] Fees from Bank of Singapore, The Great Eastern Life Assurance Co and Great Eastern General Insurance.

[i] Fees from PT Bank OCBC NISP for being Board President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.

[j] Fees from OCBC Bank (Malaysia) and OCBC Al-Amin Bank for the full year, as well as fees from Banking Computer Services and BCS Information Systems for the period that they were subsidiaries of OCBC.

[k] Fees from Great Eastern Holdings.

Remuneration of Top Five Key Management Personnel in 2017

The Code recommends the disclosure of the individual remuneration of the Bank's top five key management personnel as well as their aggregate remuneration. The Board considered this matter carefully and has decided against such a disclosure for the time being as it is not standard business practice to do so, having taken into account the highly competitive conditions for talent in the industry.

Remuneration of Directors' Immediate Family

The Director, Mr Pramukti Surjaudaja, has a sister, Ms Parwati Surjaudaja, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk. Her personal remuneration in 2017 exceeds S$50,000 but for reasons stated above, her individual remuneration is not disclosed. Apart from Ms Parwati Surjaudaja, none of the Group's employees was an immediate family member of a Director in 2017.

Remuneration Disclosure for Senior Management and Material Risk Takers

REMUNERATION AWARDED DURING THE FINANCIAL YEAR

		Senior Management	Other Material Risk Takers
Fixed remuneration	Number of employees	17	274
	Total fixed remuneration	28%	49%
	of which: cash-based	28%	49%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	0%	0%
	of which: deferred	0%	0%
	of which: other forms of remuneration	0%	0%
	of which: deferred	0%	0%
Variable remuneration	Number of employees	17	264
	Total variable remuneration	72%	51%
	of which: cash-based	43%	31%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	29%	20%
	of which: deferred	29%	20%
	of which: other forms of remuneration	0%	0%
	of which: deferred	0%	0%
Total remuneration		100%	100%

SPECIAL PAYMENTS

	Guaranteed Bonuses		Sign-on Awards		Severance Payments	
	Number of Employees	Total Amount (S$)	Number of Employees	Total Amount (S$)	Number of Employees	Total Amount (S$)
Senior management	0	0	0	0	0	0
Other material risk-takers	0	0	3	96,052	0	0

DEFERRED REMUNERATION

Deferred and Retained Remuneration	Total outstanding deferred remuneration	of which: total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amendments during the year due to ex post explicit adjustments[1]	Total amendments during the year due to ex post implicit adjustments[2]	Total deferred remuneration paid out in the financial year
Senior management	100%	100%	0%	0%	40%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	40%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	35%
Cash	0%	0%	0%	0%	1%
Shares	100%	100%	0%	0%	34%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%

(1) Examples of ex post explicit adjustments include malus, clawbacks or similar reversal or downward revaluations of awards.
(2) Examples of ex post implicit adjustments include fluctuation in the value of shares performance or performance units.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY
The Board is responsible for the provision of a balanced and understandable assessment of the Bank's performance, position and prospects, including interim and other price-sensitive public reports as well as reports to regulators. On a regular basis, the Board will require key executives to present and explain to the Board the performance and business plans of key business areas and operations of the Bank.

The Board is kept apprised of material changes in legislation and regulatory requirements including requirements under the SGX-ST Listing Rules. The Board will take necessary steps to ensure that the Bank complies with these requirements. In compliance with SGX-ST Listing Rule 720(1) on undertaking with regard to Directors or executive officers, the Bank has also procured undertakings from its Directors and key executive officers in the form prescribed by the SGX-ST.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS
The Board is responsible for the governance of risk. It sets the tone for the Bank's risk culture and oversees, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems. The Board also has oversight of the Bank's risk appetite and risk activities to ensure that these are consistent with the Bank's strategic intent, the operating environment and effective internal controls, as well as capital sufficiency and regulatory standards.

Further details on risk management are described under the section on Risk Management Committee on page 65.

The Board is also responsible for ensuring that the Bank's internal controls adequately safeguard shareholders' interests and the Bank's assets. The Bank has in place self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management. The Board has received assurances from the CEO and Chief Financial Officer on the effectiveness of the Bank's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board - with the concurrence of the Audit and Risk Management Committees - is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls as well as risk management systems, were adequate and effective as at 31 December 2017, to address the risks which the Group considers relevant and material to its operations.

The system of internal controls 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 controls can 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.

PRINCIPLE 12: AUDIT COMMITTEE

The composition and summary terms of reference of the Audit Committee are provided under the caption "Audit Committee" on page 64 and the Committee's summary activities are also provided in the Directors' Statement on page 153.

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 and effectiveness of the system of internal controls including financial, operational, compliance and information technology 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 and internal 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 members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements through briefings provided by internal or external subject matter experts. The Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements. The Committee reviews announcements relating to financial performance.

The Audit Committee is also responsible for the review of the Bank's whistle-blowing policy as well as any concerns, including anonymous complaints, which staff may in confidence raise about possible improprieties in matters of financial reporting or other matters. The Committee will ensure such concerns are independently investigated and followed up on. If it is found that there has been fraud, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle-blower's interests will be safeguarded at all times, including a right to appeal to the Audit Committee if reprisals are taken against him.

The Audit Committee 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 may be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit 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 regular basis. The Board is updated regarding these reports.

The Audit Committee has received the requisite disclosures from the external auditors evidencing their independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2017, and the breakdown of total fees paid for audit and non-audit services, are shown in the Notes to the Financial Statements.

The Audit Committee assesses the quality of the external auditor before its first appointment and at least annually thereafter. The selection of the current external auditor was made after a tender process based on the established framework for the selection/appointment of OCBC's external auditor. This framework lists the considerations and criteria for the external auditor and provides a robust tender process. Considerations include having global reach as well as technical and industry expertise, skills, resources and reputation, and quality of service delivery.

Exercising oversight over the external audit function, the Audit Committee is responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor. The Audit Committee also considers the annual fee proposals presented by the external auditor and reviews the scope of the audit plan, the level of materiality, areas of focus and significant risks to be addressed.

In its recommendation on the re-appointment of the external auditor, the Audit Committee considers the length of the external auditor's tenure and the risk that may pose to objectivity and independence. The Audit Committee also takes into consideration the external auditor's compliance with SGX-ST Listing Rules which require the lead engagement partner to be rotated every five years.

The Audit Committee is responsible for monitoring the performance, objectivity and independence of the external auditor. In its evaluation process, the Audit Committee takes into consideration the following:

- the experience and expertise of senior members of the engagement team;
- the audit plan agreed with the external auditor, the areas of audit focus and the external auditor's approach to materiality;
- the quality of reports and findings presented by the external auditor;
- the external auditor's presentation of its Audit Quality Framework and its confirmation of independence pursuant to its policies and processes for maintaining independence and objectivity;
- the external auditor's report to the Audit Committee on main findings on audit quality reviews of the Bank's audit;
- the key highlights or findings on the external auditor's quality control systems by audit oversight bodies and, where relevant, the appropriate steps taken by the external auditor; and
- feedback through an annual evaluation exercise from senior management across geographical regions to gather internal perceptions as to the knowledge, competence, independence, efficiency and effectiveness - as well as communications by and with - the external auditor.

As part of its assurance process on the objectivity and independence of the external auditor, the Audit Committee has in place a policy that lists the non-audit services which may not be provided by external auditors and sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. Permitted non-audit services exceeding S$250,000 require the approval of the Audit Committee before the auditor can be engaged. In addition, the Audit Committee reviews reports on non-audit services undertaken by the external auditor to satisfy itself as to the nature of non-audit services being provided and the fees incurred. The nature of the non-audit services provided during the financial year ended 31 December 2017 is shown in the Notes to the Financial Statements.

To reinforce the Audit Committee's effectiveness and enhance the quality of the audit, the Audit Committee meets regularly with the external auditor. The external auditor discusses its audit plan with the Audit Committee and presents its engagement teams and its audit fee proposals. It reports to the Audit Committee on audit focus areas, the support rendered by management, key audit findings, quantitative and qualitative aspects of financial statement disclosures, any unadjusted audit differences (or review differences in the case of a half-yearly or a quarterly review) and any other matters relevant to its engagement. Discussions may be held privately without the presence of management. The external auditor also discusses with the Audit Committee key changes to regulatory requirements and reporting as well as developments in accounting standards.

In the review of the 2017 financial statements, the Audit Committee discussed with management the accounting principles applied and significant judgements affecting the financial statements. Matters raised by Group Audit and the external auditor in respect of risk management, accounting and internal controls over financial reporting were also reviewed. The following key audit matters highlighted in the Independent Auditors' Report on pages 154 to 156 of the Annual Report were discussed with management and the external auditor:

Impairment of loans and bills receivable
The Audit Committee reviewed management's computation and justification of portfolio allowances in accordance with approved methodology and guiding principles. The Committee also considered management's assessment of specific allowances. The adequacy of specific allowances set aside for key loan accounts was also discussed with the external auditor. Additionally, the Audit Committee also considered the input from Group Audit's independent assessment of the Group's credit portfolio quality and credit risk management process.

Valuation of financial instruments held at fair value
The Audit Committee reviewed management's valuation of financial instruments framework and their control, monitoring and issue escalation processes. In addition, the Committee reviewed both Group Audit's and the external auditor's assessment of the controls over valuation which included independent verification of price and validation of valuation models.

Valuation of insurance contract liabilities
The Audit Committee reviewed the approach and methodology applied to the valuation of insurance contract liabilities of Great Eastern Holdings Ltd in their review of Great Eastern's financial results together with the Group's financial performance. In considering the valuation of insurance contract liabilities, the Committee considered the external auditor's independent assessment of the valuation methodology and assumptions adopted by Great Eastern and its subsidiaries.

Impairment of goodwill
The Audit Committee reviewed management's goodwill impairment testing methodology and results, including the appropriateness of the cash flow forecasts and discount rates used. The Committee also considered the external auditor's assessment of the methodology and testing results.

The Audit Committee 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.

Where appropriate, the Audit Committee has adopted relevant best practices set out in the Guidebook for Audit Committees in Singapore.

PRINCIPLE 13: INTERNAL AUDIT
The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the adequacy and effectiveness of the internal audit function, at least annually. 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 governance, risk management and internal control processes – as designed and implemented by senior management – are adequate and effective. Group Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of current and emerging risks, including financial, operational, technology, compliance and strategic risks. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's governance, risk management and internal control processes in meeting its strategic objectives and operating within the risk appetite established. In addition, Group Audit provides an independent assessment of the Group's credit portfolio quality and credit risk management process. Without assuming management responsibility, Group Audit may provide consultative services to line management on certain business initiatives as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. The Committee ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and for outstanding exceptions or recommendations to be closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience. It reports functionally to the Audit Committee and administratively to the CEO, has unfettered access to the Audit Committee, Board and senior management, and has the right to seek information and explanations. Currently, the number of internal audit staff in the Group is 299. The division is organised into departments that are aligned with the structure of the Group. The Audit Committee approves the appointment, resignation, removal and remuneration of the Head of Group Audit.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS

At the AGM, the Group's financial performance for the preceding year is presented to shareholders.

Shareholders are given the opportunity to participate effectively at the general meetings of OCBC Bank, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Bank's Constitution currently allows a shareholder to appoint up to two proxies to attend, speak and vote in his place at general meetings. Under the new multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund ("CPF") Board are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Bank has an investor relations policy approved by the Board. 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's Corporate Communications and Investor Relations units is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. Live webcasts of the Bank's half-year and full-year financial results presentation are available for viewing on the Bank's corporate website. In 2017, OCBC Bank hosted close to 500 meetings and conference calls with the investment community. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information via the Bank's website. Material information is also announced through the stock exchange.

Investors can submit feedback and queries to the Bank's Investor Relations Unit through the contact details provided on the corporate website.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Directors, external auditors and senior management are present at the AGM to address any relevant queries raised by shareholders. Independent scrutineers are also present at the AGM to review the voting process and address shareholders' queries on the voting procedures.

To ensure authenticity of shareholder identity and due to other related security issues, the Bank currently does not allow voting in absentia by mail, email or fax. The Bank conducts voting by poll for all resolutions proposed at the general meetings, for greater transparency in the voting process. Following the meetings, it announces the detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages.

The Bank provides for separate resolutions at general meetings on each substantially separate issue. It does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company Secretary prepares minutes of general meetings, which reflect responses from the Board and management to queries and comments from shareholders. The minutes are made available on the Bank's website.

PRINCIPLE 17: 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 governing and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party and interested person transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions for 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 and its listed subsidiary, Great Eastern Holdings Limited ("GEH") during the period commencing two weeks before the announcement of the Bank's and GEH's quarterly or half-yearly financial results, and one month before the announcement of year-end results (the "black-out" period) and any time they are in possession of unpublished material price-sensitive information. The Bank will notify Directors and employees of the commencement date for each black-out period. The policy also states that employees are not to deal in the Bank's securities on short-term considerations. In addition, employees are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

The Bank's insider trading policy also includes instructions pertaining to dealings in the listed securities of customers of the Group.

The Bank has a code of conduct that applies to all employees and reinforces the core values expected of employees. The code covers all aspects of the business operations of the Bank and sets out principles to guide employees in carrying out their duties and responsibilities while adhering to the highest standards of personal and corporate integrity. Employees are required to observe and comply with laws and regulations as well as company policies, along with the ABS Code of Conduct for Banks and Bank Staff.

The Bank has a suite of policies in place for proper governance and management that staff have to comply with. All policies, including those related to vendor management and procurement, are subject to the Bank's risk management and internal control systems and processes, including management self-assessment and independent audits.

The Bank also has a policy to manage or eliminate any actual or potential conflicts of interest which may impact the impartiality of research analyses or research reports issued by research analysts in OCBC Bank or its financial subsidiaries. These include prohibitions on business units attempting to influence research analyses or recommendations by research analysts, as well as on securities trading by staff who receive information on research analyses or recommendations in unissued research reports.

CORPORATE GOVERNANCE

SUMMARY OF DISCLOSURES

Express disclosure requirements in the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (which comprises the Code of Corporate Governance 2012), and the applicable disclosures pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.

PRINCIPLE AND GUIDELINES	PAGE REFERENCE IN OCBC ANNUAL REPORT 2017
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters.	Pages 63 to 65
Guideline 1.4 The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings.	Page 65
Guideline 1.5 The type of material transactions that require Board approval under guidelines.	Pages 63 and 64
Guideline 1.6 The induction, orientation and training provided to new and existing directors.	Page 66
Guideline 1.16 An assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively.	Page 66
Guideline 2.1 Compliance with the guideline on proportion of independent directors on the Board.	Page 66
Guideline 2.3 The Board should identify in the Company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him/her as independent should be disclosed.	Page 66
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Not Applicable
Guideline 2.6 (a) The Board's policy with regard to diversity in identifying director nominees (b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness.	Pages 66 and 67
Guideline 2.13 Names of the members of the Executive Committee and the key terms of reference of the Executive Committee, explaining its role and the authority delegated to it by the Board.	Page 64
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members.	Not Applicable
Guideline 4.1 Names of the members of the Nominating Committee and the key terms of reference of the Nominating Committee, explaining its role and the authority delegated to it by the Board.	Pages 64 and 67

PRINCIPLE AND GUIDELINES	PAGE REFERENCE IN OCBC ANNUAL REPORT 2017
Guideline 4.4 (a) The maximum number of listed company Board representations which directors may hold should be disclosed (b) Specific considerations in deciding on the capacity of directors.	Page 67
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process.	Page 67
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the Nominating Committee to be independent.	Pages 14 to 17, and 66
Guideline 4.13 Resignation of key appointment holders.	Page 67
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	Not Applicable
Guideline 5.1 The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its directors. This assessment process should be disclosed in the Company's Annual Report.	Page 67
Guideline 6.1 Types of information which the Company provides to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided.	Pages 67, 68, and 73 to 76
Guideline 7.1 Names of the members of the Remuneration Committee and the key terms of reference of the Remuneration Committee, explaining its role and the authority delegated to it by the Board.	Pages 64 and 65
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company.	Not Applicable
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Pages 68, 69, 72 and 73
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).	For CEO and Management: Pages 68, 69, 71 to 73 For the Company's other directors: Pages 68 and 71
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Page 71
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonus, benefits in kind, stock options granted, share-based incentives and awards, and the other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.	Page 72

PRINCIPLE AND GUIDELINES	PAGE REFERENCE IN OCBC ANNUAL REPORT 2017
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000.	Page 72
Guideline 9.5 Details and important terms of employee share schemes.	Pages 69 to 71
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	Pages 68, 69, 72 and 73
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.	Pages 73 and 74
Guideline 11.14 Names of the members of the Risk Management Committee and the key terms of reference of the Risk Management Committee, explaining its role and the authority delegated to it by the Board.	Page 65
Guideline 12.1 Names of the members of the Audit Committee and the key terms of reference of the Audit Committee, explaining its role and the authority delegated to it by the Board.	Pages 64, 74 and 75
Guideline 12.6 Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.	Pages 75 and 181
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report.	Page 74
Guideline 12.8 Summary of the Audit Committee's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Pages 74 and 75
Guideline 13.1 Whether the Company has an internal audit function.	Pages 75 and 76
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders, e.g. through analysts briefings, investor roadshows or Investors' Day briefings.	Page 76
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.	Not Applicable
Guideline 17.4 Material related party transactions.	Page 77

ADDITIONAL INFORMATION REQUIRED UNDER THE SGX-ST 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 S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2017 S$'000	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2017 S$'000
Dasar Sentral (M) Sdn Bhd, a company wholly-owned by Lee Rubber Company (Pte) Limited, an associate of Dr Lee Tih Shih, director of OCBC Bank - Lease of premises at Wisma Lee Rubber, Kuala Lumpur to subsidiaries of OCBC Bank	5,125	–
Lee Rubber Company (Pte) Limited - Lease of premises at OCBC Centre, Singapore from a subsidiary of OCBC Bank	6,709	–

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 2017.

3. APPOINTMENT OF AUDITORS

The Group has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

CAPITAL MANAGEMENT

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

CAPITAL POLICY

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition to achieve an efficient mix of different capital instruments in order to optimise its overall cost of capital.

CAPITAL MONITORING AND PLANNING

OCBC Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth, and to pursue strategic business and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite. OCBC Group's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a 3-year period. This process takes into consideration OCBC's business strategy, operating environment, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group can continue to maintain adequate capital under such scenarios.

Within OCBC Group, excess capital will be centralised as far as possible at the parent (i.e. OCBC Bank) level to ensure easy deployment across the Group. Whilst the transfer of capital resources within the Group is generally subject to regulations in local jurisdictions, where applicable, OCBC has not faced significant impediments on the flow of capital within the Group.

DIVIDEND

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the financial year ended 31 December 2017, the Board of Directors has recommended a final dividend of 19 cents per share. This brings the full year 2017 dividend to 37 cents per share, or an estimated total dividend payout of S$1,550 million, representing 37% of the Group's core net profit of S$4,146 million (2016: total dividend payout of S$1,507 million, representing 43% of the Group's core net profit of S$3,473 million).

SHARE BUYBACK AND TREASURY SHARES

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 cancelled, sold or used to meet delivery obligations under employee share schemes. During the financial year ended 31 December 2017, the Bank purchased 20.6 million ordinary shares for S$224 million as part of its share buyback programme, while 24.5 million treasury shares were delivered to meet obligations under its employee share schemes.

CAPITAL ADEQUACY RATIOS

On 14 September 2012, the Monetary Authority of Singapore ("MAS") revised the MAS Notice 637 to implement the Basel III capital adequacy framework for Singapore. The Basel III capital standards came into effect on 1 January 2013 and are being progressively phased in on 1 January each year, from 2013 to 2019. Singapore-incorporated banks are required to meet minimum Common Equity Tier 1 ("CET1"), Tier 1, and total capital adequacy ratios of 6.5%, 8.0%, and 10.0%, respectively, in 2017.

To ensure that banks build up adequate capital buffer outside periods of stress, a Capital Conservation Buffer ("CCB") of 2.5 percentage points above the minimum capital adequacy requirements was introduced. The CCB is to be maintained in the form of CET1 capital, and will begin at 0.625% on 1 January 2016, and increase by 0.625 percentage point on 1 January each year, to reach 2.5% on 1 January 2019. Including the CCB, Singapore-incorporated banks will be required to meet CET1 CAR, Tier 1 CAR and total CAR of 9.0%, 10.5% and 12.5%, respectively, from 1 January 2019.

In addition, OCBC will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2017 based on MAS' transitional Basel III rules for 2017. The capital adequacy ratios were determined in accordance with the requirements of MAS Notice 637, which included the definitions for CET1, Tier 1 and Tier 2 capital, the required regulatory adjustments against capital (including goodwill, intangible assets, deferred tax assets and investments in unconsolidated financial institutions in which the Bank holds a major stake), and the methodologies available for computing risk-weighted assets. Some of OCBC's existing Additional Tier 1 and Tier 2 capital instruments were issued under the Basel II capital adequacy framework. These capital instruments did not contain provisions to require them to be written off or converted into ordinary shares if the Bank was determined by the Monetary Authority of Singapore ("MAS") to be non-viable, and will be gradually phased out under MAS' Basel III transitional rules. As per the requirements of MAS Notice 637, OCBC's insurance subsidiaries were not consolidated for the computation of the capital adequacy ratios, i.e. capital investments in these insurance subsidiaries were deducted from OCBC's capital and their assets were excluded from the computation of OCBC's risk-weighted assets.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 16 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

$ million	**Basel III 2017**	**Basel III 2016**
Tier 1 Capital		
Ordinary shares	**14,136**	14,107
Disclosed reserves/others	**18,130**	21,586
Regulatory adjustments	**(5,359)**	(6,550)
Common Equity Tier 1 Capital	**26,907**	29,143
Additional Tier 1 capital	**2,985**	3,109
Regulatory adjustments	**(932)**	(2,284)
Tier 1 Capital	**28,960**	29,968
Tier 2 capital	**4,673**	6,087
Regulatory adjustments	**(408)**	(2,080)
Total Eligible Capital	**33,225**	33,975
Credit	**163,361**	164,320
Market	**16,130**	20,186
Operational	**13,591**	13,257
Risk Weighted Assets	**193,082**	197,763
Capital Adequacy Ratios		
Common Equity Tier 1	**13.9%**	14.7%
Tier 1	**14.9%**	15.1%
Total	**17.2%**	17.1%

The Group's fully phased-in CET1 CAR as of 31 December 2017 based on MAS Notice 637 rules effective 31 December 2017 was 13.1%.

OCBC's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2017, the capital adequacy ratios of these subsidiaries were above their respective local requirements.

DISCLOSURES REQUIRED UNDER PART XIA OF MAS NOTICE 637 'NOTICE OF RISK BASED CAPITAL ADEQUACY REQUIREMENTS FOR BANKS INCORPORATED IN SINGAPORE'

(This section does not form part of OCBC's audited financial statements)

The Basel Committee has developed an indicator-based measurement approach to identify Global Systemically Important Bank ("G-SIB") and determine the higher loss absorbency requirements for banks classified as G-SIBs. While OCBC is not a G-SIB, it is required under MAS Notice 637 to disclose the indicators which can be found on the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

RISK MANAGEMENT

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

KEY HIGHLIGHTS IN 2017

In 2017, global and regional activity gathered strength and growth became more broad-based. The threat of trade protectionism faded while geopolitical posturing in Asia was well managed. Consequently, demand for financial services in our key markets of Singapore, Malaysia, Indonesia and Greater China picked up. While we responded proactively to the opportunities arising from more rapid trade expansion and the revival of investor and consumer confidence, we stayed disciplined in our risk management as we supported our three core business pillars – Banking, Wealth Management and Insurance. We remained vigilant to ensure that our asset quality and coverage ratios were maintained at acceptable levels.

The momentum of growth in the global and regional economies is expected to be carried over into 2018, though at a more moderate pace. Financial conditions are likely to be less benign and with greater uncertainties emerging as financial markets and asset prices adjust to possible surprises from higher inflation, a faster pace of monetary normalisation and rise in interest rates. The threat of trade protectionism could re-emerge to undermine global trade and set back global growth. We remain watchful of the possible large swings in liquidity conditions and prices of financial assets as well as geopolitical risks. We will remain prudent and focus on our long-term strategic priorities. With our strong funding and capital position, we are well placed to serve our customers and capture new opportunities as they arise.

Recognising the importance of promoting long-term sustainable development, the Board has approved material Environmental, Social and Governance ("ESG") factors of which Responsible Financing is one. We have integrated ESG considerations into our credit and risk evaluation process for all new and existing corporate and institutional borrowers on group-wide basis in 2017. Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group for clearance.

During the year, among the initiatives undertaken to enhance risk management capabilities and/or to meet regulatory requirements, the key ones are:

- Established a new Group Data Management Office reporting into Group Risk Management Division ("GRM"). This is part of our effort to enhance group-wide risk data aggregation and reporting capabilities to comply with the requirements stated in the Basel Committee on Banking Supervision Regulation No. 239 ("BCBS 239").
- Completed the development of reporting capabilities in overseas locations through enhancements of our Asset and Liability Management ("ALM") risk system. This is to comply with the regulation on Group Net Stable Funding Ratio ("NSFR") which is effective from January 2018.
- Started capabilities building for regulatory reporting of group-wide Interest Rate Risk in the Banking Book ("IRRBB") which will take effect from December 2018.
- Adopted the Advanced Internal Ratings-Based approach for margin lending exposures in Bank of Singapore.
- Adopted the Foundation Internal-Ratings Based approach for sovereign exposures in OCBC Group (excluding Bank OCBC NISP).

In 2017, we saw an increase in security threats including malicious cyber threats across the globe causing disruptions to businesses and facilities. In response, these are several of the key initiatives undertaken by us:

- Embarked on more extensive cyber risk awareness programmes to improve staff vigilance across the Group.
- Enhanced our policy to strengthen the management of cyber risks and improve cyber resilience.
- Participated in the industry-wide exercise conducted by the Association of Banks in Singapore ("ABS") where the Bank exercised its emergency and recovery responses to terrorism and cyber-attacks.
- Made improvements in our physical security infrastructure and controls at key office buildings.

In recognition of our achievements in capability building and operational risk management, we received the "Achievement in Operational Risk Management Award" in The Asian Banker Risk Management Awards 2017; this is our third consecutive award since 2015.

Recognising the dynamic and complex evolution of money laundering tactics, we are among the first Singapore banks to tap artificial intelligence ("AI") and machine learning to enhance the detection of suspicious activity. We have successfully piloted the use of fintech solutions to supplement and optimise our existing transaction monitoring system. This is expected to significantly increase our operational efficiency and accuracy in the detection of suspicious transactions.

RISK MANAGEMENT IN OCBC GROUP

Effective risk management is critical to the long-term sustainability of the Group. To achieve this, we have identified the following key high-level risk management fundamentals to forge a common approach to managing risk at the enterprise level.

- **Risk Culture** – The Board of Directors ("Board") and top management set the tone for a strong risk culture, supported by a robust internal control environment throughout the Group. All customer-facing business units, product teams, independent functional risk management units and other support units such as Operations and Technology are actively involved in the risk management process.

- **Risk Appetite** – The Board sets the Group's risk appetite, which defines the level and nature of risks that the Group takes. Risk-taking decisions are aligned with strategic business goals and risk-adjusted return expectations. Portfolio risk limits are cascaded from the risk appetite and are used to establish business-operating boundaries.

- **Risk Management Frameworks** – The overarching risk management frameworks are supported by policies, methodologies, tools, processes and controls across the various risk types. These are built around robust governance structures to ensure that they are effective, comprehensive and consistent.

- **Holistic Risk Management** – Risks are managed holistically, taking into account the potential interconnectivity among risk types. Both business and risk-control units actively participate in regular forums to identify and assess material emerging risks and opportunities from changes in the business environment. Quantitative stress testing and sensitivity analysis supplemented with qualitative analysis help senior management quantify the impact that potential adverse events pose to our portfolios and Group earnings. The results are considered in business strategy formulation, capital adequacy assessment and risk limits setting.

- **Independent Review** – Group Audit conducts risk-based internal audits to provide independent assurance that our risk management systems as well as control and governance processes are effective and comply with both regulatory requirements and internal rules and standards. Group Audit also evaluates the overall risk awareness, aptitude and attitude of the Management in effecting the risk and control measures through a Management Control Oversight Rating ("MCOR").

Our banking subsidiaries are required to implement risk management policies that conform to Group risk standards or to adopt stricter local regulations where applicable. The approving authority and limit structures of our subsidiaries are consistent with those of the Group, which are designed to ensure proper ownership and accountability.

Great Eastern Holdings and Bank OCBC NISP are listed companies that publish their own annual reports which contain information on their risk management frameworks and practices (for information on GEH's risk management, refer to Note 39 in the Group's Financial Statements). Their risk management policies and practices are aligned with Group risk standards where appropriate.

RISK GOVERNANCE AND ORGANISATION

The Board establishes the Group's risk appetite and risk management principles. The Board Risk Management Committee ("BRMC") is the principal Board committee that oversees the Group's risk management with the following key responsibilities:

- Sets the Group's overall risk management philosophy, ensuring it is in line with the overall corporate strategy and risk appetite as approved by the Board.
- Reviews risk disclosure policy and risk management principles for the approval of the Board.
- Oversees the Group's risk management systems for identifying, measuring, monitoring, controlling and reporting risk and ensuring the adequacy of risk management practices.
- Approves risk management frameworks, major risk policies and material risk models.

The BRMC is supported by GRM, which is headed by the Group Chief Risk Officer ("CRO"). GRM is an independent risk and control oversight function that supports the Group's business development within a prudent, consistent and effective risk management framework and governance structure. GRM also establishes relevant risk management frameworks, policies and procedures, risk measurements and methodologies. Various risk reports, including key stress test results and action plans, are submitted regularly to senior management, the BRMC and the Board to apprise them of the Group's risk profile.

GRM also reviews and monitors the Group's risk profiles and portfolio concentrations and highlights any significant vulnerabilities and risk issues to the respective risk management committees. Our risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support risk decisions. As part of our ongoing effort to enhance group-wide risk data aggregation and reporting capabilities and to meet the requirements stated in BCBS 239, we have also embarked on initiatives to enhance our governance, reporting processes and systems, aligning them with the broad principles stated in BCBS 239.

The independence of risk management from business functions ensures that we achieve the necessary balance between risk-taking and return considerations. The compensation of risk officers is also determined independent of business units and reviewed by the Remuneration Committee to ensure it remains market-competitive.

Senior management actively manages risks through various risk management committees, such as the Credit Risk Management Committee, the Market Risk Management Committee, the Asset and Liability Committee and the Operational Risk Management Committee. Both risk-taking and risk-control units are represented in these committees, emphasising shared risk management responsibilities.

All new products and services are governed by a New Product Approval Process ("NPAP") managed by GRM and approved by the New Product Approval

Committee ("NPAC"). This process provides a platform to ensure that all risks associated with new product or market initiatives are comprehensively identified, assessed, managed and mitigated before market introduction.

BASEL REQUIREMENTS

We have implemented the MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore ("MAS Notice 637"), including the enhanced quality of regulatory capital base and expanded risk coverage under Basel III. As part of enhanced public disclosures on risk profile and capital adequacy driven by changes in Part XI of MAS Notice 637, the Board approves the risk disclosure policy which - among other requirements - includes establishing and maintaining internal control processes over the disclosure. The Board has also appointed the Group Chief Financial Officer to attest that the Pillar 3 report has been prepared in accordance with internal control processes approved by the Board. Please refer to the Pillar 3 Disclosures section for information as at 31 December 2017.

For credit risk, we have adopted the Foundation Internal Ratings-Based ("F-IRB") approach and supervisory slotting criteria to calculate credit risk-weighted assets for major wholesale portfolios and the Advanced Internal Ratings-Based ("A-IRB") approach for major consumer, small business and margin lending portfolios. Other credit portfolios, including those belonging to OCBC Wing Hang and Bank OCBC NISP are on the Standardised approach. They will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type and maturity.

For market risk, we have adopted the Standardised approach. Risk weights for market risk assets are specified according to the instrument category, maturity period, credit quality grade as well as other factors and applied to the corresponding notional amount as prescribed under MAS Notice 637. For operational risk, we have adopted the Standardised approach except for Bank OCBC NISP and OCBC Wing Hang, which have adopted the Basic Indicator approach. Operational risk-weighted assets are derived by applying specified factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines.

We conduct the Internal Capital Adequacy Assessment Process ("ICAAP") at least annually to evaluate if we are able to maintain sound capital levels after considering business plans and material risks under both base case and severe stress scenarios. Management actions are proposed where necessary to ensure that the Group remains prudently managed.

Implementing the Basel framework is an integral part of our efforts to refine and strengthen our risk management. We closely follow ongoing industry and regulatory developments, including higher liquidity and capital requirements.

CREDIT RISK MANAGEMENT

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet its contractual obligations. As our primary business is commercial banking, we are exposed to credit risks from our lending activities. Trading and investment banking activities, such as the trading of foreign exchange, derivatives, debt securities, commodities, securities underwriting and the settlement of transactions, also expose the Group to counterparty and issuer credit risks. For derivative transactions, the total credit exposure is quantified by the transactions' current positive mark-to-market value plus an appropriate add-on factor for potential future exposure.

CREDIT RISK MANAGEMENT OVERSIGHT AND ORGANISATION

The Credit Risk Management Committee ("CRMC") is the senior management group that supports the BRMC and Group Chief Executive Officer ("CEO") in managing credit risk, including the reshaping of credit portfolios. It reviews the credit profile of material portfolios by business segments and geography to ensure that credit risk taking is aligned with the relevant business strategy and consistent with our risk appetite. The CRMC also recommends and monitors exposure undertaken against risk limits and highlights any material risk issues to the BRMC and CEO. In addition, the CRMC reviews the enterprise-wide credit risk philosophy, the credit risk management framework and major credit risk policies for the approval of the BRMC. It also oversees compliance with the risk management framework and policies and the effectiveness of infrastructure, methodologies and systems.

Credit Risk Management ("CRM") departments ensure the execution of the credit risk management framework, policies and procedures. These departments also independently manage credit risk to ensure adequacy of risk-returns within our risk appetite, customer targets, limits and risk standards. Dedicated risk functions are responsible for portfolio risk monitoring, risk measurement methodology, risk reporting and remedial management.

Regular risk reports are provided to the CRMC, CEO, BRMC and the Board in a timely, objective and transparent manner for review. These reports include detailed credit exposures, credit migration, expected losses and risk concentrations by business portfolio and geography. Regular stress tests and portfolio reviews are conducted to assess the potential impact of emerging risk on our credit exposures, including interactions among credit, market and liquidity events where appropriate. The results of the stress tests and portfolio reviews are factored as necessary into the adjustment and refinement of risk-taking strategies and credit limits to remain within our risk appetite.

CREDIT RISK MANAGEMENT APPROACH

Our credit risk management framework encapsulates the complete cycle of credit risk management. It covers the identification, assessment, measurement, monitoring as well as the control and mitigation of credit risks. It also articulates the importance of proactive credit risk management.

We seek to undertake credit risks that meet our target market and risk acceptance criteria, lending parameters and risk-return expectations for sustainable performance. As Fair Dealing underpins our commitment to building long-term relationships with our customers, complex products are sold to them only after clearing suitability and appropriateness assessments. In addition to effective risk management practices, the sound judgement of our experienced credit officers is also key to our successful risk management.

We have a responsible financing framework that sets out our overall approach towards the management of ESG risks in our lending activities. This framework aims to fully integrate ESG considerations into our credit and risk evaluation process in a more structured and systematic manner. It is supported by our responsible financing policy and relevant sectorial policies that outline the criteria and guidelines for the ESG assessment of clients and transactions. Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group for clearance. Periodic ESG-related reporting is made to the BRMC and CEO on the progress of our responsible financing implementation. Please refer to our Sustainability Report in the Annual Report for more information on our progress on responsible financing.

Lending to Consumers and Small Businesses

Credit risks for consumers and small businesses are managed on a portfolio basis under credit programmes such as mortgages, credit cards, unsecured loans, auto loans, commercial property loans and business term loans. Credit extended under these programmes should fall within the portfolio and transaction limits, defined target markets, stipulated lending criteria and acceptable collateral as well as advance ratios. Systems and processes such as source identification of credit origination and independent verification of documentation are used to detect fraud. The performance of the portfolios is closely monitored on a monthly basis using management information system ("MIS") analytics. Application models are also used in the credit decision process for most products to enable objective, consistent and fast decisions. Behavioural models are used for early identification of potential problem loans.

Lending to Corporate and Institutional Customers

Credit extended to corporate and institutional customers is individually assessed, risk-rated and approved by experienced credit officers. The officers identify and assess the credit risks of these customers, including customer group's interdependencies, management quality, ESG practices as well as business, financial and competitive profiles against industry and economic threats. Collaterals and other credit support are also used to mitigate credit risks. Credit extensions are guided by pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extensions, co-grantor approvals and shared risk ownership are required from both business and credit risk units.

Lending to Private Banking Customers

Credit extended to our wealth management clients with the Bank of Singapore is subject to comprehensive credit assessments, the availability of acceptable collateral and compliance with loan advance ratios and margin requirements. Joint approvals from both business and credit risk units ensure objectivity in the credit extensions. Advance ratios are dependent on the liquidity, volatility and diversification of the collateralised portfolio under stressed conditions. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification controls.

Credit Risk from Investment and Trading Activities

Counterparty credit risks arising from our trading, derivatives and debt securities activities are actively managed to protect against potential losses in replacing a contract if a counterparty fails to meet its obligations. Where possible, trading in OTC derivatives is cleared through Central Clearing Counterparties ("CCP"). In most cases, bilateral transactions will be governed under International Swaps and Derivatives Association ("ISDA") agreements as well as Credit Support Annexes ("CSAs") or an equivalent to allow for close-out netting if the counterparty defaults. Credit limits are established for each counterparty based on our assessment of the counterparty's creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading mandates and investment strategies. Credit exposures are independently managed through daily limit monitoring, excess escalation and approval, and timely risk reporting. We also have an established policy and process to manage wrong-way risk which can occur when the credit exposure to a counterparty is adversely correlated with the credit quality of the counterparty.

Credit Risk from Securitisation

We have limited exposure to asset-backed securities and collateralised debt obligations and are not active in securitisation activities.

INTERNAL CREDIT RATING MODELS

Internal credit rating models are an integral part of our credit risk management, credit decision-making process and capital assessment. These internal rating models and the parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") – are factors used in limit setting, credit approval, portfolio monitoring and reporting, remedial management, stress testing, internal assessment of the capital adequacy and impairment allowances.

Model risk is managed under our model risk management framework and credit rating model framework to govern the development, validation, application and performance monitoring of rating models. Approval for adoption and continued use of material models rests with the BRMC. The models are developed with the active participation of credit experts from risk-taking and risk-control units and subject to independent validation before implementation to ensure that all aspects of the model development process have met the internal standards.

The models are subject to annual review (or more frequently, where necessary) and independent validation to ensure that they are performing as expected and that the assumptions used in model development remain appropriate. In addition, Group Audit conducts an annual independent review of the ratings assignment process, the effectiveness of the independent validation and the accuracy of the rating system operation. All rating models are assessed against internal and regulatory requirements and approved by regulators for use in capital assessment.

Our internal risk grades are not explicitly mapped to external credit ratings. Nevertheless, our internal risk grades may correlate with the external credit ratings in terms of the probability of default ranges as factors used to rate obligors would be similar; an obligor rated poorly by an external credit rating agency is likely to have a weaker internal risk rating.

A-IRB for Major Consumer, Small Business and Margin Lending Portfolios

We have adopted the A-IRB approach for major consumer portfolios, including residential mortgages, credit cards and auto loans as well as small business and margin lending. Internal rating models, developed from internal data, are used to estimate PD, LGD, and EAD parameters for each of these portfolios. Application and Behaviour scores of obligors are key inputs to the PD models. Product, collateral and geographical characteristics are major factors used in the LGD and EAD models. The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle, while the LGD models are calibrated to reflect the economic loss under downturn conditions.

F-IRB for Major Wholesale Portfolios

Our major wholesale portfolios, namely sovereign, bank, non-bank financial institution, corporate real estate (including income-producing real estate specialised lending) and general corporate, are on the F-IRB approach. Under this approach, internal models are used to estimate the PD for each obligor, while LGD and EAD parameters are prescribed in MAS Notice 637. These PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. Expert judgement models are typically used for portfolios with low defaults following inputs from internal credit experts. The models also comply with the regulatory criteria for parameterisation. For other specialised lending portfolios, namely Project Finance, Object Finance and Commodities Finance, risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in MAS Notice 637. The risk weights prescribed for these slotting categories are used to determine the regulatory capital requirements.

IRB Approach for Securitisation Exposures

The credit risk-weighted assets for securitisation exposures are computed using the ratings-based method prescribed by MAS Notice 637.

Standardised Approach for Other Portfolios

Credit portfolios in OCBC Wing Hang and Bank OCBC NISP are under the Standardised approach. These portfolios will be progressively migrated to the internal ratings-based approaches for which implementation initiatives are in progress for OCBC Wing Hang. Regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies, where available, are used to determine regulatory capital. Approved external credit rating agencies are Standard and Poor's, Moody's and Fitch Ratings.

CREDIT RISK CONTROL

Credit Risk Mitigation

Credit risk assessments are based on the credit worthiness of the borrower, source of repayment and debt servicing ability. To mitigate credit risk, we accept collaterals and credit protection such as cash, real estate, marketable securities, inventories and trade receivables and standby letters of credit. We have policies that set out the criteria for collateral to be recognised as eligible credit risk mitigants including legal certainty, priority, correlation, marketability, liquidity and counterparty risk of the protection provider. The value of collaterals is prudently assessed on a regular basis, and valuations are performed by independent qualified appraisers. Appropriate haircuts are applied to the market value of the collaterals, reflecting the underlying nature, quality, liquidity and volatility of the collateral. We also accept guarantees from individuals, corporates and institutions as a form of support.

To manage counterparty credit risk, eligible financial collaterals may be taken to partially or fully cover mark-to-market exposures on outstanding positions, with a haircut to cover potential adverse market volatility. Collateral arrangements, typically covered under market standard documentation such as ISDA, include a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. The credit risk associated with contractual obligations is reduced by the netting agreements to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Agreements may also contain rating triggers where additional collateral posting is required in the event of a rating downgrade. However, given our investment grade rating, there is minimal increase in collateral posting under a one-notch rating downgrade occurrence. We also use CCP to reduce counterparty risk for Over-the-Counter ("OTC") derivatives.

Managing Credit Risk Concentrations

Credit risk concentrations may arise from lending to a single borrower, a group of connected borrowers, or diverse groups of borrowers affected by similar economic or market conditions. Where appropriate, limits are set and monitored to control concentrations by borrower, group of connected borrowers, product, industry and country. These limits are aligned with our risk appetite, business strategy, capacity and expertise. Impact on earnings and capital is also considered in limit setting.

We continue to diversify our country exposure with our expanded presence and activities in Greater China, Malaysia and Indonesia. As a key player at home, we have significant exposure to the real estate market in Singapore. Dedicated specialist real estate units manage this risk by focusing on client selection, collateral quality, project viability and real estate cycle trends. Regular stress tests are also conducted to identify potential vulnerabilities in the real estate portfolio.

REMEDIAL MANAGEMENT

We have an established process to constantly assess our portfolios to detect potential problem credits at an early stage. As we value long-term customer relationships, we understand that some customers may be facing temporary financial distress and prefer to work closely with them at the onset of their difficulties. We recognise the opportunity to promote customer loyalty and retention in such instances, even as we enforce strict discipline and place a priority on remedial management to minimise credit loss.

We classify our credit exposures according to the borrowers' ability to repay their financial obligations on time and in full from their normal sources of income. Credit exposures are categorised as "Pass" or "Special Mention", while non-performing loans ("NPLs") are categorised as "Substandard", "Doubtful", or "Loss" in accordance with MAS Notice 612 on Credit Files, Grading and Provisioning ("MAS Notice 612"). Upgrading of NPL to performing status can only be done when there is an established trend of credit improvement. The upgrade needs to be supported by an assessment of the borrower's repayment capability, cash flows, and financial position.

Credit exposures are classified as restructured assets when we have granted concessions in restructured repayment terms to borrowers who are facing difficulties in meeting the original repayment schedules. A restructured credit exposure is classified into the appropriate non-performing grades based on the assessment of the borrower's financial condition and ability to repay under the restructured terms. Such a credit exposure must comply fully with the restructured terms before it can be restored to performing loan status in accordance with MAS Notice 612.

We have dedicated remedial management units to manage the restructuring, work-out and recovery of non-performing assets for wholesale portfolios. For retail portfolios, appropriate risk-based and time-based collections strategies are developed to maximise recoveries. We also use analytical data such as delinquency buckets and adverse status tags for delinquent consumer loans to constantly fine-tune and prioritise our collection efforts.

Impairment Allowances for Loans

We maintain impairment allowances that are sufficient to absorb credit losses inherent in our loan portfolios. Total loan impairment allowances comprise specific allowances against NPLs and a portfolio allowance for all performing loans to cover expected losses that are not yet evident.

Specific allowances for credit losses are evaluated either individually or collectively for a portfolio. The amount of specific allowance for an individual credit exposure is determined by ascertaining the difference between the present value of future recoverable cash flows of the impaired loan and the carrying value of the loan. For homogenous unsecured retail loans such as credit card receivables, specific allowances are determined collectively as a portfolio, taking into account historical loss experience of such loans. NPLs are written off against specific allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered poor.

Portfolio allowances are set aside based on our credit experiences and judgement for estimated inherent losses that may exist but have not been identified for any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. Under the current Financial Reporting Standard 39 ("FRS 39") as modified by MAS Notice 612, a minimum of 1% portfolio allowance on uncollateralised exposures is set aside as portfolio allowances.

Impairment allowances will be guided by Singapore Financial Reporting Standard (International) 9: Financial Instruments ("SFRS(I) 9") with effect from 1 January 2018. SFRS(I) 9 replaces the FRS 39 loan impairment allowance requirements as modified by MAS Notice 612 with a forward-looking expected credit loss ("ECL") model (for information on impairment allowance, refer to Note 50 in the Financial Statements).

MARKET RISK MANAGEMENT

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations of such factors. At OCBC

RISK MANAGEMENT

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

Group, we are exposed to market risks from our trading, client servicing and balance sheet management activities.

Our market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

MARKET RISK MANAGEMENT OVERSIGHT AND ORGANISATION

The Market Risk Management Committee ("MRMC") is the senior management group that supports the BRMC and CEO in managing market risk. The MRMC oversees the market risk management objectives, framework and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems and internal controls.

The MRMC is chaired by CRO and supported by the Market Risk Management ("MRM") department. MRM is the independent risk-control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

MARKET RISK MANAGEMENT APPROACH

Market risk management is a shared responsibility. Business units are responsible for proactively managing risk within their approved trading strategies and investment mandates, while MRM acts as the independent monitoring unit to ensure sound governance. The key risk management activities of identification, measurement, monitoring, control and reporting are regularly reviewed by MRM and the MRMC to ensure effective risk management under prevailing market conditions.

MARKET RISK IDENTIFICATION

Risk identification is addressed via our internal NPAP at product inception. Market risks are also identified by our risk managers from their ongoing interactions with the business units.

MARKET RISK MEASUREMENTS

Value-At-Risk

Value-at-risk ("VaR"), as a key market risk measure for the Group's trading activities, is a component of aggregate market risk appetite. VaR is measured and monitored by its individual market risk components, namely interest rate risk, foreign exchange risk, equity risk and credit spread risk as well as at the consolidated level. Our VaR model is based on a historical simulation at a 99% confidence level, and over a one-day holding period. As VaR is a statistical measure based on historical market fluctuations, past changes in market risk factors may not accurately predict forward-looking market conditions all the time. Under the defined confidence threshold, losses on a single trading day may exceed VaR, on average, once every 100 days.

Other Risk Measures

As the Group's main market risk is interest rate fluctuations, Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate-sensitive exposures resulting from a one basis point increase across the entire yield curve, is an important measure monitored on a daily basis. Other than VaR and PV01, other risk measurements used include notional positions, Profit & Loss ("P&L") for One Basis Point Move in Credit Spreads ("CS01") and derivative greeks for specific exposure types.

Stress Testing and Scenario Analysis

We perform stress testing and scenario analysis to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities and risk profile as well as prevailing and forecasted economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance.

The table below provides a summary of the Group's trading VaR profile by risk types as at 31 December 2017 and 31 December 2016.

VaR BY RISK TYPE – Trading Portfolio

	2017				2016			
SGD Millions	**End of the period**	**Average**	**Minimum**	**Maximum**	**End of the period**	**Average**	**Minimum**	**Maximum**
Interest Rate VaR	**5.44**	**5.48**	**2.63**	**9.06**	3.64	3.86	2.45	6.73
Foreign Exchange VaR	**2.13**	**4.97**	**1.81**	**13.77**	7.69	7.1	2.34	13.53
Equity VaR	**0.55**	**0.79**	**0.39**	**2.04**	0.51	0.84	0.21	2.31
Credit Spread VaR	**1.38**	**1.87**	**1.16**	**5.49**	4.63	4.09	1.96	9.95
Diversification Effect [1]	**-4.40**	**-4.88**	**NM[2]**	**NM[2]**	-8.52	-7.38	NM[2]	NM[2]
Aggregate VaR	**5.10**	**8.24**	**4.44**	**15.85**	7.95	8.51	4.48	14.10

(1) Diversification effect is computed as the difference between Aggregate VaR and sum of asset class VaRs.
(2) Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.

RISK MONITORING AND CONTROL

Limits

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Trading activities are conducted within approved mandates and dynamically hedged to remain within limits. Hedge effectiveness is implicit in ensuring compliance with market risk limits and enforced through independent limits monitoring. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VaR and risk sensitivities), P&L stop loss and other measures are also used to manage market risk exposures holistically.

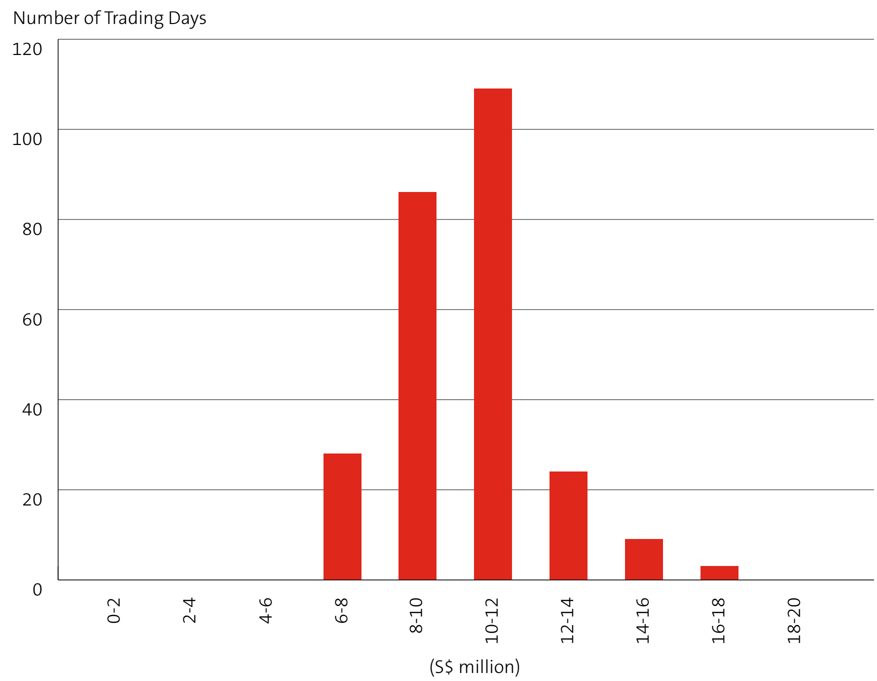
Model Validation

Model validation is also an integral part of our risk control process. Financial models are used to price financial instruments and to calculate VaR. We ensure that the models used are fit for their intended purposes through internal validation and assessment. Market rates used for risk measurement and valuation are sourced independently, thereby enhancing the integrity of the trading P&L and risk measures generated by the financial models used in managing market risk exposures.

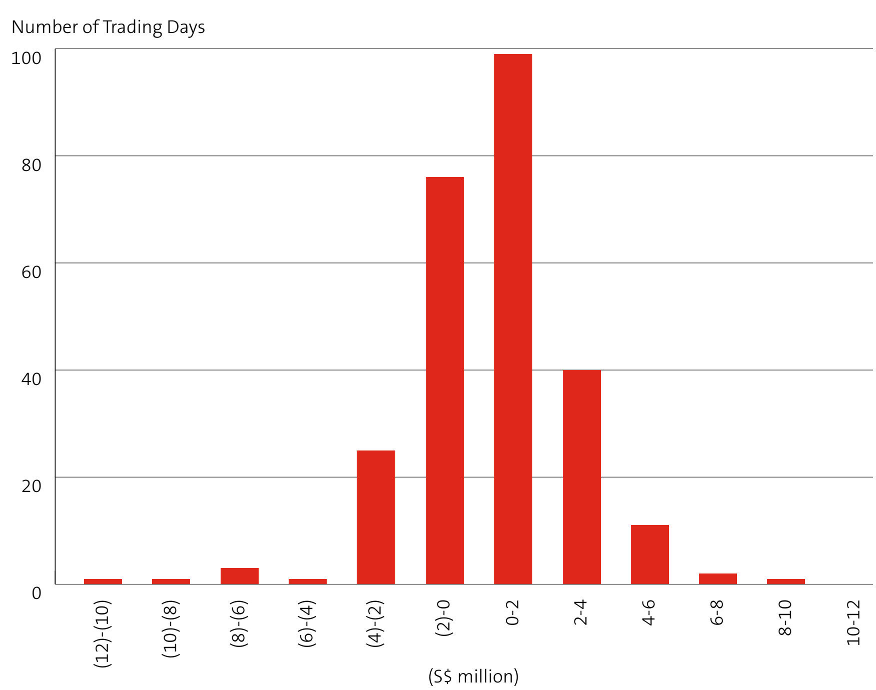
Back-testing

To ensure the continued integrity of the VaR model, we regularly back-test the VaR estimates against actual daily trading P&Ls and theoretical P&Ls to confirm that the VaR model does not underestimate market risk exposures.

Frequency distribution of Group Trading Book Daily Total VaR (One Day Holding Period) for 2017



Frequency distribution of Group Trading Daily P&L for FY 2017



RISK MANAGEMENT

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

System and Infrastructure

Robust internal control processes and automated systems have been designed and implemented to support our market risk management approach. This includes automated stress tests with analytical capability, enhanced accuracy, granularity and coverage of VaR elements. These process and systems are also reviewed regularly to assess their continual effectiveness.

ASSET LIABILITY MANAGEMENT

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements, covering liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

ASSET LIABILITY MANAGEMENT OVERSIGHT AND ORGANISATION

The Asset Liability Management Committee ("ALCO") is the senior management group that is responsible for the management of the Group's balance sheet and liquidity risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units.

The ALCO is supported by the Corporate Treasury department within the Group Finance Division. The Asset Liability Management ("ALM") department within GRM monitors the banking book interest rate, structural foreign exchange and liquidity risk profiles for the Group under both business-as-usual and stressed scenarios. These are based on the standards established in the ALM framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of the prevailing market conditions and practices.

ASSET LIABILITY MANAGEMENT APPROACH

The asset liability management framework comprises liquidity risk management, interest rate risk management and structural foreign exchange risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Our liquidity management process involves establishing liquidity management policies and limits, and regular monitoring against them. We also perform short-term liquidity stress tests based on institution specific and market-wide liquidity stress scenarios. The results of the stress tests are used to adjust liquidity risk management strategies, policies and positions and to develop effective contingency funding plans.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed, and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. In addition, we maintain liquid assets in excess of regulatory requirements to strengthen our ability to meet liquidity needs during a crisis. These liquid assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

In 2017, we continued our daily regulatory reporting of our group-wide Liquidity Coverage Ratio ("LCR"), excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon. We will be including OCBC Wing Hang Hong Kong and OCBC Wing Hang Macao in our reporting from January 2018 and OCBC Yangon later in 2018. We will also be implementing the regulatory reporting of group-wide NSFR from January 2018 and will incorporate OCBC Yangon later in 2018.

Interest Rate Risk

The primary goal of interest rate risk management, including IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with our risk appetite.

Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of interest rate risk are repricing risk, yield curve risk, basis risk and optionality risk. A range of techniques are used to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of various interest rate scenarios on the Group's net interest income and economic value of equity ("EVE"). Other measures include interest rate sensitivity measures such as PV01 as well as repricing gap profile analysis. Triggers are set based on our risk appetite on earnings and capital. The results are used to adjust interest rate risk management strategies, policies and positions.

Limits are established to manage interest rate exposures and reviewed regularly to ensure they remain relevant in the context of the prevailing external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

We are in the process of implementing the regulatory reporting of group-wide IRRBB, which will take effect from December 2018.

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from our net investment and retained earnings in overseas branches, subsidiaries as well as other strategic and property assets. We manage structural foreign exchange risk through hedges and matched funding for foreign currency investments where appropriate.

Other Risks

Non-structural foreign exchange exposures in banking book are largely transferred to trading book for foreign exchange risk management. High quality liquid assets ("HQLA") held in banking book to comply with LCR expose the Group to credit spread risk. While HQLA are of low default risk, their value could be sensitive to changes in credit spread. This risk is monitored against approved CS01 limits on a daily basis and subject to historical and anticipatory stress tests. The other risk residing in the banking book is non-strategic equity price risk arising from our equity investment in listed and non-listed companies. Such non-strategic equity forms an insignificant portion of our overall securities portfolio, excluding GEH.

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. Operational risk management enables us to fulfil our fiduciary duties, comply with legal and regulatory requirements and mitigate other risk factors. This will also help manage any reputational risks impact.

The Group's operational risk management aims to manage both expected and unexpected losses, including those caused by catastrophic events. These twin objectives act as parameters to manage our risk as we pursue new business opportunities.

OPERATIONAL RISK MANAGEMENT OVERSIGHT AND ORGANISATION

The Operational Risk Management Committee ("ORC") is the senior management group that supports the BRMC and CEO in managing operational risk. It supports the Group's business strategy by ensuring that the operational risk is within acceptable tolerance levels and approved risk appetite. ORC also ensures that the Group's operational risk management programmes are appropriate and effective.

The Operational Risk Management ("ORM") department establishes the ORM framework, supporting policies and procedures. It also independently oversees operational risk monitoring and controls that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Partners ("ORP") or managers in the business units and subsidiaries. To raise competency levels in managing operational risk, all ORPs or managers are certified by an industry recognised accreditation programme.

OPERATIONAL RISK MANAGEMENT APPROACH

We adopt an operational risk management framework that ensures operational risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. The framework is underpinned by a strong risk management and control culture.

Each business unit undertakes self-assessments on a regular basis by assessing the robustness of its risk and control environment, including compliance with all legal and regulatory requirements. Self-assessment declarations are subject to risk-based independent reviews. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before the risks result in material losses. To enhance controls over trading activities and data loss prevention, we have specific risk units to perform surveillance over these areas.

Senior management attests annually to the Audit Committee, BRMC and CEO regarding the adequacy and effectiveness of the internal controls and risk management systems as well as key control deficiencies and accompanying remedial plans. Operational risk data (e.g. operational risk events and self-assessments) are analysed and reported regularly to senior management.

To mitigate against operational losses, insurance programmes are in place to protect the Bank and its employees against adverse events. These programmes cover losses relating to crime, cyber risks, professional indemnity, directors' and officers' liability, property damage and public liability.

In addition, the subject specific key risks that the Group focuses on include but are not limited to:

Outsourcing Risk Management

We recognise the risks associated with outsourcing arrangements. As part of our outsourcing risk management programme, we have a multi-disciplinary outsourcing management group to manage outsourcing risks in a structured, systematic and consistent manner. In addition, as an active member of the ABS Outsourcing Advisory Committee, we share outsourcing practices and keep abreast of developments in the industry.

Physical and People Security Risk Management

We have a programme to ensure that physical and security risk to people and assets is adequately addressed. This includes having a unit to actively monitor and scan global events that may pose a risk to OCBC locations, people and assets. This unit provides advisories and response procedures to better prepare the Bank and its employees against risk events. To mitigate physical security risks, we are enhancing the access control management of our buildings.

Business Continuity Risk Management

We have a comprehensive and robust business continuity management programme that aims to minimise the interruption to essential business activities and services during a crisis. This is achieved through the implementation of robust recovery strategies and business recovery plans which are reviewed and tested annually. Senior management also provides an annual attestation to the BRMC which includes a measurement of the programme's maturity across the Group and the extent of alignment to MAS guidelines, as well as a declaration of acceptable residual risk.

Fraud Risk Management

Our fraud risk management and whistle-blowing programmes aim to prevent and detect fraud or misconduct. Fraud incident reports – including root cause analysis, extent of damage, remedial actions and recovery steps for major incidents – are regularly reported to the ORC and BRMC. We have a Fraud Surveillance System to detect suspicious transactions. This system uses machine learning through continuous assessment of individual customers' transaction patterns, and the setting of standard deviations for monitored transactions. Group Audit independently reviews all fraud and whistle-blowing cases and reports their findings to the Audit Committee.

Reputational Risk Management
Reputational risk is the current and prospective risk to earnings and capital arising from adverse perceptions of the Group's image among customers, counterparties, shareholders, investors and regulators. We have a reputational risk management policy which focuses on understanding and managing our responsibilities towards our different stakeholders as well as protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management
We have a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, monitoring and mitigation of fiduciary risk exposures, to ensure our compliance with applicable corporate standards.

Legal and Regulatory Risk Management
We hold ourselves to high standards when conducting our business and at all times observe and comply with applicable laws, rules and standards. We have an established compliance risk programme which defines the required environment and organisational components for managing the risk in a structured, systematic and consistent manner. Each business unit is responsible for having adequate and effective controls to manage both legal and regulatory risks. Senior management provides the BRMC and CEO with an annual Regulatory Compliance Certification regarding the state of regulatory compliance.

Technology, Information and Cyber Risk Management
We adopt a holistic approach to ensure that technology, information and cyber risks are properly assessed, monitored, mitigated and reported. Appropriate controls are in place to ensure the confidentiality, integrity and availability of our information assets.

We raise our staff awareness on cyber information and vigilance against cyber risk through regular email reminders, training and campaigns that include the use of test emails. We participate in industry-level exercises and collaborate with industry participants and government agencies to share intelligence and counter measures against new forms of cyber-attacks.

Anti-Money Laundering/Countering the Financing of Terrorism Risk Management
We have a structured framework and programme for combating money laundering and countering the financing of terrorism that is implemented across the Group. This incorporates the MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism and is in line with the principles or guidelines set by international organisations, such as the Basel Committee and Wolfsberg Group.

Our programme is aimed at managing and mitigating potential exposure to existing and emerging money laundering and terrorism financing ("ML/TF") risks emanating from the various customer segments, products and services, delivery channels as well as the range of host countries where we have business operations. It includes observance of sanctions required by the MAS and the respective regulators of countries where our international offices and subsidiaries operate. In this regard, we have implemented appropriate policies and procedures to conduct customer due diligence to know our customers as well as transaction monitoring capabilities to detect unusual or suspicious transactions. Where required, our international offices and subsidiaries customise the programme to ensure that they are fit for the host country where they operate in, provided the higher standard is adopted.

Our anti-money laundering and countering the financing of terrorism ("AML/CFT") programme is subject to internal and external audits as well as regulatory inspections. The senior management and the Board have oversight of the programme, which is reviewed regularly to ensure that it remains robust and relevant in the context of the evolving regulatory landscape and operating environment. They are kept apprised on enhancements to the programme as well as significant regulatory changes in the various host countries where we have business operations.

We regularly invest in the group-wide systems, upgrading or replacing them from time to time to strengthen our capabilities in customer risk management and transaction monitoring. Given the dynamic and complex evolution of money laundering tactics, we have identified and leveraged on new fintech solutions using machine learning and artificial intelligence to supplement and optimise our existing customer transaction monitoring system. These solutions will enable the Bank to more accurately detect suspicious transactions and reduce the high rate of false positive alerts often generated by rule-based monitoring systems.

We recognise that our employees play an integral role in our AML/CFT efforts and have emphasised the importance of staying vigilant against ML/TF and sanctions risks to our business and network. To ensure that our employees understand these risks, they must undergo basic training when they join the bank and regular refresher training thereafter. We also provide specific training to enable relevant employees to carry out their respective roles and to keep abreast of developments in the financial industry. The respective Board and management committees of the entities in the Group are trained regularly to enable them to oversee our AML/CFT programme. The training encompasses AML/CFT and sanctions regulations, case studies depicting local or transnational criminal activities and new or developing typologies.

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

1. INTRODUCTION

This document presents the information in accordance with Pillar 3 ("P3") disclosure requirements under Monetary Authority of Singapore ("MAS") Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. The P3 requirements specify reporting templates for most of the quantitative disclosures to enable market participants to better compare the capital adequacy and risk profile across banks via improved consistency in public disclosure.

For purpose of the year-end disclosure for OCBC Group ("Group") as at 31 December 2017, explanations of the drivers behind significant differences between reporting periods for the respective sections are provided where appropriate. The disclosure on the RWA flow statements for the following are omitted as there is no exposure treated under these approaches:

- Counterparty Credit Risk ("CCR") under the Internal Models Method ("IMM")
- Market Risk exposures under the Internal Models Approach ("IMA")

As part of enhanced public disclosures on risk profile and capital adequacy driven by changes in Part XI of MAS Notice 637, the Group's disclosure policy, which outlines the Group's approach and internal controls on the preparation of the required information for public disclosures to ensure their accuracy and completeness, has been reviewed and updated.

For qualitative description of the Group's disclosures, please refer to Section 16 of this document.

2. ACCOUNTING AND REGULATORY CONSOLIDATION

The consolidation basis used for regulatory capital computation is similar to that used for financial reporting except for the following:

- Great Eastern Holdings Limited and its insurance subsidiaries are excluded from regulatory consolidation and are treated as investments in unconsolidated major stake companies that are financial institutions in accordance with MAS Notice 637 amended definition of insurance subsidiary. The regulatory adjustments applied to these investments are in accordance with MAS Notice 637 paragraphs 6.1.3(p), 6.2.3(e) and 6.3.3(e).
- As at 31 December 2017, the total equity of these insurance subsidiaries was S$8 billion and total assets were S$84 billion.

Disclosures on the Group's reconciliation of regulatory capital and regulatory capital position can be found in Section 4 of this document.

3. CAPITAL ADEQUACY

3.1 CAPITAL ADEQUACY AND G-SIB INFORMATION

Disclosures on the Group's capital adequacy ratios and the capital positions for the Group's significant banking subsidiaries as at 31 December 2017 are presented in the Capital Adequacy Ratios section of the Financial Year 2017 Financial Results (http://www.ocbc.com/group/investors/index.html).

The Basel Committee has developed an indicator-based measurement approach to identify Global Systemically Important Bank ("G-SIB") and determine the higher loss absorbency requirements for banks classified as G-SIBs. While OCBC is not a G-SIB, it is required under MAS Notice 637 to disclose the indicators which can be found on the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

3.2 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL CAPITAL BUFFER

The following table provides an overview of the Group's geographical distribution of private sector credit exposures for the calculation of countercyclical buffer.

The geographical distribution is based on the country where the physical collateral resides in, residence of the guarantor, or in the absence of such mitigant, the country of obligor (i.e. the country where the majority of the obligor's operating assets is situated) in accordance with MAS Notice 637 requirements.

Higher RWA in Hong Kong during the second half of 2017 was mainly driven by increase in loans that was partially offset by the adoption of IRB Approach of Margin Lending portfolio.

	(a) Country-Specific countercyclical buffer requirement %	(b) RWA for private sector credit exposures S$ million	(c) Bank-specific countercyclical buffer requirement [1] %	(d) Countercyclical buffer amount S$ million
Geographical breakdown				
Hong Kong	1.25%	18,763		
Sweden	1.25%	2		
Sub-total		18,765		
Total		**138,041**	**0.17%**	**328**

[1] The Bank-specific countercyclical buffer is the additional capital which needs to be maintained above the Regulatory minimum and Capital Conservation buffer requirement

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

4. COMPOSITION OF CAPITAL

4.1 RECONCILIATION OF REGULATORY CAPITAL

S$'m

	BALANCE SHEET AS PER PUBLISHED FINANCIAL STATEMENTS	UNDER REGULATORY SCOPE OF CONSOLIDATION	CROSS REFERENCE TO SECTION 4.2
EQUITY			
Share capital	15,136		
of which: Paid-up ordinary shares		14,136	a
of which: Transitional: Ineligible AT1 capital instruments		1,448	b
Other equity instruments	499	499	c
Reserves:			
Capital reserves	361		
Fair value reserves	120		
Revenue reserves	22,892		
Total reserves	**23,373**		
of which: Retained earnings		17,556	d
of which: Accumulated other comprehensive income and other disclosed reserves		365	e
Non-controlling interests	2,768		
of which: Transitional: Ineligible AT1 capital instruments		949	f
of which: Minority interest that meets criteria for inclusion in CET1 Capital		209	g
of which: Minority interest that meets criteria for inclusion in AT1 Capital		30	h
Valuation adjustments	–	0	
Total equity	**41,776**		
LIABILITIES			
Deposits of non-bank customers	283,642		
Deposits and balances of banks	7,485		
Due to associates	220		
Trading portfolio liabilities	622		
Derivative payables	6,454		
Other liabilities	6,065		
Current tax	1,102		
Deferred tax	1,582		
of which: Associated with intangible assets		59	i
Debt issued	32,235		
of which: AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion		59	j
of which: T2 capital instruments		2,688	k
of which: Transitional: Ineligible T2 capital instruments		1,337	l
of which: T2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion		18	m
Life assurance fund liabilities	73,755		
Total liabilities	**413,162**		
Total equity and liabilities	**454,938**		

4.1 RECONCILIATION OF REGULATORY CAPITAL (Continued)

S$'m

	BALANCE SHEET AS PER PUBLISHED FINANCIAL STATEMENTS	UNDER REGULATORY SCOPE OF CONSOLIDATION	CROSS REFERENCE TO SECTION 4.2
ASSETS			
Cash and placements with central banks	19,594		
Singapore government treasury bills and securities	9,840		
Other government treasury bills and securities	17,631		
Placements with and loans to banks	49,377		
Loans and bills receivable	234,141		
of which: Eligible provision for inclusion in T2 Capital subject to cap in respect of exposures under SA and IRBA		630	n
Debt and equity securities	25,329		
of which: Indirect investments in own Tier 2 instruments		0	o
of which: Investments in unconsolidated major stake financial institutions		759	p
of which: Investments in unconsolidated non major stake financial institutions		585	q
Investments in insurance subsidiaries		1,953	r
Derivative and forward securities in unconsolidated non major stake financial institutions		17	s
Assets pledged	1,056		
Assets held for sale	39		
of which: Investments in unconsolidated major stake financial institutions		33	t
Derivative receivables	6,386		
Other assets	5,651		
Deferred tax	174		
of which: Deferred tax assets before netting		331	u
Associates and joint ventures	2,352		
of which: Investments in unconsolidated major stake financial institutions		2,149	v
Property, plant and equipment	3,332		
Investment properties	949		
Goodwill and intangible assets	5,160		
of which: Goodwill		3,992	w
of which: Intangible assets		396	x
Life assurance fund investment assets	73,927		
Total assets	**454,938**		

There were no significant changes over the semi-annual reporting period except for the adoption of the amended definition of insurance subsidiary in accordance with MAS Notice 637 with effect from December 2017.

Great Eastern Holdings and its insurance subsidiaries were excluded from regulatory consolidation and such investments were accounted for at cost.

(OCBC Group – As at 31 December 2017)

4.2 REGULATORY CAPITAL POSITION

S$'m

		AMOUNT	AMOUNT SUBJECT TO PRE-BASEL III TREATMENT	CROSS REFERENCE TO SECTION 4.1
	Common Equity Tier 1 capital: instruments and reserves			
1	Paid-up ordinary shares and share premium (if applicable)	14,136		a
2	Retained earnings	17,556		d
3	Accumulated other comprehensive income and other disclosed reserves	365		e
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5	Minority interest that meets criteria for inclusion	209	(27)	g
6	**Common Equity Tier 1 capital before regulatory adjustments**	**32,267**		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Valuation adjustment pursuant to Part VIII of MAS Notice 637	0		
8	Goodwill, net of associated deferred tax liability	3,194	798	w
9	Intangible assets, net of associated deferred tax liability	269	67	x-i
10	Deferred tax assets that rely on future profitability	265	66	u
11	Cash flow hedge reserve	(0)	(0)	
12	Shortfall of TEP relative to EL under IRBA	–	–	
13	Increase in equity capital resulting from securitisation transactions	–	–	
14	Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	–	–	
15	Defined benefit pension fund assets, net of associated deferred tax liability	–		
16	Investments in own shares	–		
17	Reciprocal cross-holdings in ordinary shares of financial institutions	–		
18	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	–		
19	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold)	1,632	408	(p+r+t+v) - 2,854[1]
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold	–		
23	of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	–		
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments	–		
26A	PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	–	–	
26B	Capital deficits in subsidiaries and associates that are regulated financial institutions	–	–	
26C	Any other items which the Authority may specify	–	–	
27	Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions	–		
28	**Total regulatory adjustments to CET1 Capital**	5,360		
29	**Common Equity Tier 1 capital ("CET1")**	**26,907**		

4.2 REGULATORY CAPITAL POSITION (Continued)

S$'m

		AMOUNT	AMOUNT SUBJECT TO PRE-BASEL III TREATMENT	CROSS REFERENCE TO SECTION 4.1
	Additional Tier 1 capital: instruments			
30	AT1 capital instruments and share premium (if applicable)	499		c
31	of which: classified as equity under the Accounting Standards	499		
32	of which: classified as liabilities under the Accounting Standards	–		
33	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	2,397		(b+f) [2]
34	AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	89		h+j
35	of which: instruments issued by subsidiaries subject to phase out	59		j
36	**Additional Tier 1 capital before regulatory adjustments**	**2,985**		
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own AT1 capital instruments	–		
38	Reciprocal cross-holdings in AT1 capital instruments of financial institutions	–		
39	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	–		
40	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	–	–	
41	National specific regulatory adjustments	932		
41A	Regulatory adjustments applied to AT1 Capital in respect of amounts subject to pre- Basel III treatment	932		
	of which: Goodwill, net of associated deferred tax liability	798		
	of which: Intangible assets, net of associated deferred tax liability	67		
	of which: Deferred tax assets that rely on future profitability	66		
	of which: Cash flow hedge reserve	(0)		
	of which: Increase in equity capital resulting from securitisation transactions	–		
	of which: Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	–		
	of which: Shortfall of TEP relative to EL under IRBA	–		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	–		
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	–		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	–		
	of which: Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	–		
41B	Any other items which the Authority may specify	–		
42	Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions	–		
43	**Total regulatory adjustments to Additional Tier 1 capital**	**932**		
44	**Additional Tier 1 capital ("AT1")**	**2,053**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**28,960**		

(OCBC Group – As at 31 December 2017)

4.2 REGULATORY CAPITAL POSITION (Continued)

S$'m

		AMOUNT	AMOUNT SUBJECT TO PRE-BASEL III TREATMENT	CROSS REFERENCE TO SECTION 4.1
	Tier 2 capital: instruments and provisions			
46	Tier 2 capital instruments and share premium (if applicable)	**2,688**		k
47	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	**1,337**		l[2]
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	**18**		m
49	of which: instruments issued by subsidiaries subject to phase out	**0**		
50	Provisions	630		n
51	**Tier 2 capital before regulatory adjustments**	**4,673**		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0		*o*
53	Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions	–		
54	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	–		
55	Investments in Tier 2 capital instruments of unconsolidated financial institutions inwhich the Reporting Bank holds a major stake (including insurance subsidiaries)	–	–	
56	National specific regulatory adjustments	408		
56A	Any other items which the Authority may specify	–		
56B	Regulatory adjustments applied to Tier 2 Capital in respect of amounts subject to pre-Basel III treatment	408		
	of which: Shortfall of TEP relative to EL under IRBA	–		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	–		
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	–		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	408		
	of which: Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	–		
57	**Total regulatory adjustments to Tier 2 capital**	**408**		
58	**Tier 2 capital ("T2")**	**4,264**		
59	**Total capital (TC = T1 + T2)**	**33,225**		
60	**Floor–adjusted total risk weighted assets (after incorporating the floor adjustment set out in Table 11-3A(m))**	**193,082**		

4.2 REGULATORY CAPITAL POSITION (Continued)

S$'m

		AMOUNT	AMOUNT SUBJECT TO PRE-BASEL III TREATMENT	CROSS REFERENCE TO SECTION 4.1
	Capital ratios (as a percentage of floor-adjusted risk weighted assets)			
61	**Common Equity Tier 1 CAR**	**13.9%**		
62	**Tier 1 CAR**	**14.9%**		
63	**Total CAR**	**17.2%**		
64	Bank-specific buffer requirement	7.9%		
65	of which: capital conservation buffer requirement	1.25%		
66	of which: bank specific countercyclical buffer requirement	0.2%		
67	of which: G-SIB buffer requirement (if applicable)	–		
68	Common Equity Tier 1 available to meet buffers	7.2%		
	National minima			
69	Minimum CET1 CAR	6.5%		
70	Minimum Tier 1 CAR	8.0%		
71	Minimum Total CAR	10.0%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	602		q+s
73	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	2,854		Refer to note[1]
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	378		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	513		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	253		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	641		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements	2,477		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	155		
84	Current cap on T2 instruments subject to phase out arrangements	2,246		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		

(1) The investments in the ordinary shares of unconsolidated major stake companies that are financial institutions which are within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii)

(2) Under Basel III transitional arrangements, outstanding Additional Tier 1 and Tier 2 capital instruments that do not meet the requirements are gradually phased out. Fixing the base at the nominal amount of such instruments outstanding at 1 January 2013, the recognition shall be capped at 90% in 2013, with the cap reducing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

4.3 MAIN FEATURES OF CAPITAL INSTRUMENTS

The following disclosures are made pursuant to the requirements of MAS Notice 637 Annex 11D. They are not a summary of the terms, do not purport to be complete, and should be read in conjunction with, and are qualified in their entirety by, the relevant Terms and Conditions available on the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

		OCBC ORDINARY SHARES	OCBC 3.8% NON-CUMULATIVE, NON-CONVERTIBLE PERPETUAL CAPITAL SECURITIES
1	Issuer	Oversea-Chinese Banking Corporation Limited	Oversea-Chinese Banking Corporation Limited
2	Unique identifier (ISIN)	SG1S04926220	SG6YJ3000003
3	Governing law(s) of instrument	Singapore	Singapore
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at Solo/Group/Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Perpetual Capital Securities
8	Amount recognised in regulatory capital	S$14,136 million	S$499 million
9	Par value of instrument	NA	S$500 million
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	NA	25 Aug 2015
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	NA	On or after the First Reset Date of 25 Aug 2020 (at par) Tax call (at par) Regulatory call (at par)
16	Subsequent call dates, if applicable	NA	Optional call dates - any date after the First Reset Date
	Coupons/dividends		
17	Fixed or floating dividend/coupon	NA	Fixed to fixed
18	Coupon rate and any related index	NA	3.8% p.a. up to (but excluding) 25 August 2020; if not redeemed, the distribution rate will be reset every 5 years thereafter to a fixed rate equal to the then prevailing 5-year SGD SOR plus 1.51% p.a.
19	Existence of a dividend stopper	NA	Yes
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Noncumulative
23	Convertible or non-convertible	NA	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	The earlier of: i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer would become non-viable; and ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the MAS.
32	If write-down, full or partial	NA	May be written down fully or partially
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Additional Tier 1 capital instruments of OCBC Bank	Upon the occurrence of any winding-up proceeding (other than pursuant to a Permitted Reorgnisation), Capital Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of (i) Senior Creditors and (ii) holders of Tier II Capital Securities, and will rank senior to all Junior Obligations.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

4.3 **MAIN FEATURES OF CAPITAL INSTRUMENTS** (Continued)

		OCBC CLASS M 4.0% NON-CUMULATIVE NON-CONVERTIBLE PREFERENCE SHARES	OCC 5.1% NON-CUMULATIVE NON-CONVERTIBLE GUARANTEED PREFERENCE SHARES
1	Issuer	Oversea-Chinese Banking Corporation Limited	OCBC Capital Corporation (2008)
2	Unique identifier (ISIN)	SG6V63983492	KYG668911053
3	Governing law(s) of instrument	Singapore	Cayman Islands (In respect of the guaranteed preference shares) Singapore (In respect of the subordinated guarantee and subordinated note)
	Regulatory treatment		
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Ineligible
6	Eligible at Solo/Group/Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Preference shares	Guaranteed preference shares
8	Amount recognised in regulatory capital	S$959 million	S$1,438 million
9	Par value of instrument	S$1,000 million	S$1,500 million
10	Accounting classification	Shareholders' equity	Non-controlling interest in consolidated subsidiary
11	Original date of issuance	17 Jul 2012	27 Aug 2008
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	First call date: 17 Jan 2018 (at par) Tax call (at par) Regulatory call (at par)	First call date: 20 Sep 2018 (at par) Tax call (at par) Regulatory call (at par)
16	Subsequent call dates, if applicable	17 Jul 2022, and 20 Jun and 20 Dec of each year thereafter	20 Mar, 20 Jun, 20 Sep and 20 Dec of each year after the first call date
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed to floating
18	Coupon rate and any related index	4.0% p.a.	5.1% p.a. up to 20 Sep 2018, and 3M SGD SOR plus 2.5% p.a. thereafter
19	Existence of a dividend stopper	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Tier 2 capital instruments of OCBC Bank	Tier 2 capital instruments of OCBC Bank
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	Has no loss absorbency at the point of non-viability	Has no loss absorbency at the point of non-viability Has a step-up

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

4.3 MAIN FEATURES OF CAPITAL INSTRUMENTS (Continued)

		OCBC MALAYSIA 6.75% INNOVATIVE TIER 1 CAPITAL SECURITIES	OCBC 4.25% SUBORDINATED NOTES DUE 2024
1	Issuer	OCBC Bank (Malaysia) Berhad	Oversea-Chinese Banking Corporation Limited
2	Unique identifier (ISIN)	MYBPZ0900079	US69033DAC11 (Reg S) US69033CAC38 (144A)
3	Governing law(s) of instrument	Malaysia	England (Save for the subordination provisions) Singapore (In respect of the subordination provisions)
	Regulatory treatment		
4	Transitional Basel III rules	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Ineligible	Tier 2
6	Eligible at Solo/Group/Solo and Group	Group	Solo and Group
7	Instrument type	Capital securities	Subordinated debt
8	Amount recognised in regulatory capital	S$59 million	S$1,357 million
9	Par value of instrument	MYR400 million	US$1,000 million
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost
11	Original date of issuance	17 Apr 2009	19 Jun 2014
12	Perpetual or dated	Perpetual[1]	Dated
13	Original maturity date	No maturity[1]	19 Jun 2024
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	First call date: 17 Apr 2019 (at par) Tax call (at par) Regulatory call (at par)	Tax call (at par) Regulatory call (at par)
16	Subsequent call dates, if applicable	17 Apr and 17 Oct of each year after the first call	NA
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed
18	Coupon rate and any related index	6.75% p.a. up to 17 Apr 2019, and 6M KLIBOR plus 3.32% p.a. thereafter	4.25% p.a.
19	Existence of a dividend stopper	Yes	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	Yes	No
22	Noncumulative or cumulative	Cumulative[2]	NA
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	Contractual approach The earlier of (i) MAS determining that a write-down is necessary; and (ii) a decision by MAS to make a public sector injection of capital, or equivalent support, without which the issuer would become non-viable in both (i) and (ii)
32	If write-down, full or partial	NA	May be written down fully or partially
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Tier 2 capital instruments of OCBC Malaysia	Unsubordinated and unsecured obligations of OCBC Bank
36	Non-compliant transitioned features	Yes	No
37	If yes, specify non-compliant features	Has no loss absorbency when CET1 CAR falls to 7% or below, and at the point of non-viability Has a step-up	NA

(1) Redemption of the capital securities after 30 years from the issue date, if still outstanding then, is subject to regulatory approval being obtained and may only be made

(2) Payment of any deferred coupon amount is subject to regulatory approval being obtained and may only be made from the proceeds of a fresh issuance of preference shares. In addition, payment of any deferred coupon amount in excess of the specified limit is subject to regulatory approval.

4.3 MAIN FEATURES OF CAPITAL INSTRUMENTS (Continued)

		OCBC 4.00% SUBORDINATED NOTES DUE 2024 CALLABLE IN 2019	OCBC 3.15% SUBORDINATED NOTES DUE 2023 CALLABLE IN 2018
1	Issuer	Oversea-Chinese Banking Corporation Limited	Oversea-Chinese Banking Corporation Limited
2	Unique identifier (ISIN)	US69033DAB38 (Reg S) US69033CAB54 (144A)	US69033DAA54 (Reg S) US69033CAA71 (144A)
3	Governing law(s) of instrument	England (Save for the subordination provisions) Singapore (In respect of the subordination provisions)	England (Save for the subordination provisions) Singapore (In respect of the subordination provisions)
	Regulatory treatment		
4	Transitional Basel III rules	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Ineligible
6	Eligible at Solo/Group/Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital	S$1,330 million	S$1,337 million
9	Par value of instrument	US$1,000 million	US$1,000 million
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost
11	Original date of issuance	15 Apr 2014	11 Sep 2012
12	Perpetual or dated	Dated	Dated
13	Original maturity date	15 Oct 2024	11 Mar 2023
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	First call date: 15 Oct 2019 (at par) Tax call (at par) Regulatory call (at par)	First call date: 11 Mar 2018 (at par) Tax call (at par)
16	Subsequent call dates, if applicable	NA	NA
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed to fixed	Fixed to fixed
18	Coupon rate and any related index	4.00% p.a. up to 15 Oct 2019, and reset to 5-yr US Dollar Swap Rate plus 2.203% p.a. thereafter	3.15% p.a. up to 11 Mar 2018, and reset to 5-yr US Dollar Swap Rate plus 2.279% p.a. thereafter
19	Existence of a dividend stopper	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	Yes	No
31	If write-down, write-down trigger(s)	Contractual approach The earlier of (i) MAS determining that a write-down is necessary; and (ii) a decision by MAS to make a public sector injection of capital, or equivalent support, without which the issuer would become non- viable in both (i) and (ii)	NA
32	If write-down, full or partial	May be written down fully or partially	NA
33	If write-down, permanent or temporary	Permanent	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Unsubordinated and unsecured obligations of OCBC Bank	Unsubordinated and unsecured obligations of OCBC Bank
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-compliant features	NA	Has no loss absorbency at the point of non-viability

5. LEVERAGE RATIO

5.1 LEVERAGE RATIO

	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Capital and Total exposures (S$'m)				
Tier 1 capital	**28,960**	29,694	29,684	29,558
Total exposures	**394,770**	387,576	380,558	380,068
Leverage Ratio (%)				
Leverage ratio	**7.3**	7.6	7.8	7.7

Leverage ratio was lower at 7.3% as at 31 December 2017, as compared to 7.6% in previous quarter. Tier 1 capital was lower after taking into account MAS Notice 637 amended definition of insurance subsidiary with effect from 31 December 2017. Total exposures rose mainly driven by growth in customer loans, and increase in placements with banks and central banks partly offset by the decrease in off-balance sheet items.

5.2 LEVERAGE RATIO SUMMARY COMPARISON TABLE

	Item	Amount (S$'m)
1	Total consolidated assets as per published financial statements	454,938
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(82,848)
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of exposure measure	–
4	Adjustment for derivative transactions	3,681
5	Adjustment for SFTs	11
6	Adjustment for off-balance sheet items	25,280
7	Other adjustments	(6,292)
8	**Exposure measure**	**394,770**

5.3 LEVERAGE RATIO COMMON DISCLOSURE TABLE

	Item	Amount (S$'m) Dec-17	Sep-17
	Exposure measures of on-balance sheet items		
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	361,198	354,810
2	Asset amounts deducted in determining Tier 1 capital	(6,292)	(10,220)
3	**Total exposures measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**354,906**	**344,590**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	3,615	3,565
5	Potential future exposure associated with all derivative transactions	5,691	5,583
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	–	–
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	(21)	(20)
8	CCP leg of trade exposures excluded	–	–
9	Adjusted effective notional amount of written credit derivatives	781	908
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	–	–
11	**Total derivative exposure measures**	**10,066**	**10,036**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	4,507	3,487
13	Eligible netting of cash payables and cash receivables	–	–
14	SFT counterparty exposures	11	15
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	–	–
16	**Total SFT exposure measures**	**4,518**	**3,502**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	114,099	153,080
18	Adjustments for calculation of exposure measures of off-balance sheet items	(88,819)	(123,632)
19	**Total exposure measures of off-balance sheet items**	**25,280**	**29,448**
	Capital and Total exposures		
20	**Tier 1 capital**	**28,960**	**29,694**
21	**Total exposures**	**394,770**	**387,576**
	Leverage Ratio		
22	**Leverage ratio**	**7.3%**	**7.6%**

SFT: Securities Financing Transactions
CCP: Central Counterparty

6. CREDIT RISK EXPOSURES BY GEOGRAPHY, INDUSTRY AND RESIDUAL MATURITY

6.1 MAXIMUM EXPOSURE TO CREDIT RISK

S$ million	Period End	Average [3]
Credit risk exposure of on-balance sheet assets:		
Net loans and bills receivable	234,141 [1]	224,653
Placements with and loans to banks	49,377	43,996
Government treasury bills and securities	27,471	26,976
Debt securities	21,407	21,115
Assets pledged	1,056 [2]	1,915
Others	10,580	10,035
	344,032	328,690
Credit risk exposure of off-balance sheet items:		
Credit commitments	128,848	122,375
Contingent liabilities	10,504	10,275
	139,352	132,650
Total maximum credit risk exposure	**483,384**	**461,340**

(1) Net of specific allowances of $1,236 million and portfolio allowances of $1,417 million.
(2) Comprise net loans and bills receivable of $527 million, placements with and loans to banks of $195 million, government treasury bills and securities of $6 million and debt securities of $328 million.
(3) Computed on a monthly average basis.

6.2 GEOGRAPHIC/INDUSTRY DISTRIBUTION OF MAJOR TYPES OF CREDIT EXPOSURE

Gross Loans and Bills Receivable [1]
Analysed by Geography

	S$ million
Singapore	99,872
Malaysia	28,231
Indonesia	19,259
Greater China	59,114
Other Asia Pacific	12,754
Rest of the World	18,091
Total	**237,321**

Distribution by geography is determined based on where the credit risk resides.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	8,073
Manufacturing	12,501
Building and construction	35,436
Housing	64,542
General commerce	29,010
Transport, storage and communication	11,568
Financial institutions, investment and holding companies	37,838
Professionals and individuals	28,704
Others	9,649
Total	**237,321**

(1) Include assets pledged of $527 million.

Placements with and Loans to Banks [2]
Analysed by Geography

	S$ million
Singapore	1,390
Malaysia	4,594
Indonesia	819
Greater China	34,472
Other Asia Pacific	3,774
Rest of the World	3,675
Balances with banks	**48,724**
Bank balances of life assurance fund	848
Total	**49,572**

(2) Include assets pledged of $195 million.

Distribution by geography is determined based on where the credit risk resides.

Government Treasury Bills and Securities [3]
Analysed by Geography

	S$ million
Singapore	9,840
Malaysia	2,751
Indonesia	2,806
Greater China	4,049
Other Asia Pacific	5,297
Rest of the World	2,734
Total	**27,477**

(3) Include assets pledged of $6 million.

Distribution by geography is determined based on country of the issuer.

Debt Securities [4]

Analysed by Geography

	S$ million
Singapore	2,752
Malaysia	1,838
Indonesia	1,040
Greater China	10,249
Other Asia Pacific	3,911
Rest of the World	1,945
Total	**21,735**

Distribution by geography is determined based on where the borrowers are incorporated.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	808
Manufacturing	1,230
Building and construction	2,155
General commerce	569
Transport, storage and communication	1,390
Financial institutions, investment and holding companies	12,835
Others	2,748
Total	**21,735**

[4] Include assets pledged of $328 million.

Credit Commitments

Analysed by Geography

	S$ million
Singapore	97,873
Malaysia	7,176
Indonesia	3,891
Greater China	15,970
Other Asia Pacific	2,105
Rest of the World	1,833
Total	**128,848**

Distribution by geography is determined based on where the transactions are recorded.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	1,259
Manufacturing	8,531
Building and construction	14,894
General commerce	17,371
Transport, storage and communication	3,159
Financial institutions, investment and holding companies	33,843
Professionals and individuals	42,855
Others	6,936
Total	**128,848**

Contingent Liabilities

Analysed by Geography

	S$ million
Singapore	5,819
Malaysia	1,261
Indonesia	1,155
Greater China	1,842
Other Asia Pacific	301
Rest of the World	126
Total	**10,504**

Distribution by geography is determined based on where the transactions are recorded.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	83
Manufacturing	1,748
Building and construction	1,623
General commerce	3,932
Transport, storage and communication	624
Financial institutions, investment and holding companies	486
Professionals and individuals	302
Others	1,706
Total	**10,504**

6.3 RESIDUAL CONTRACTUAL MATURITY OF MAJOR TYPES OF CREDIT EXPOSURE

On-Balance Sheet Assets

S$ 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
Net loans and bills receivables	17,535	28,022	20,589	29,257	36,861	102,404	**234,668** [1]
Placements with and loans to banks	7,770	8,208	14,329	16,583	1,216	618	**48,724** [2]
Government treasury bills and securities	426	2,244	4,419	9,802	6,035	4,551	**27,477** [3]
Debt securities	99	479	988	4,490	6,592	9,087	**21,735** [4]

[1] Include assets pledged of $527 million.
[2] Include assets pledged of $195 million and excludes bank balances of life assurance fund.
[3] Include assets pledged of $6 million.
[4] Include assets pledged of $328 million.

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

Credit Commitments

	S$ million
Undrawn credit facilities:	
Term to maturity of one year or less	111,902
Term to maturity of more than one year	16,946
Total	**128,848**

Contingent Liabilities

	S$ million
Guarantees and standby letters of credit:	
Term to maturity of one year or less	3,935
Term to maturity of more than one year	2,196
	6,131
Acceptances and endorsements	1,283
Documentary credits and other short-term trade related transactions	3,090
Total	**10,504**

7. CREDIT QUALITY

7.1 OVERVIEW OF CREDIT QUALITY OF ASSETS

The table below provides an overview of the credit quality of the on and off-balance sheet assets of the Group.

A borrower is recognised to be in default when the borrower is unlikely to repay in full its credit obligations to the Group, or the borrower is past due for more than 90 days on its credit obligations to the Group.

		(a)	(b)	(c)	(d)
		Gross carrying amount of [1]			
	S$ million	Defaulted exposures	Non-defaulted exposures	Impairment allowances	Net Values [2] (a + b - c)
1	Loans and bills receivable	3,415	233,906	(2,649)	234,672
2	Debt securities	35	21,713	(13)	21,735
3	Off-balance sheet exposures	18	10,486	(4)	10,500
4	**Total**	**3,468**	**266,105**	**(2,666)**	**266,907**

(1) Refers to the accounting value of the assets before any impairment allowances but after write-offs

(2) Refers to total gross carrying amount less impairment allowances

7.2 CHANGES IN STOCK OF DEFAULTED LOANS AND BILLS RECEIVABLE, AND DEBT SECURITIES

The table below identifies the changes in defaulted loans and bills receivable as well as debt securities from the previous semi-annual reporting period, including the flows between non-defaulted and defaulted categories and reductions due to write-offs.

The increase in defaulted loans and bills receivable, and debt securities in the second half of 2017 was mainly driven by new defaulted loans and bills receivable that was partly offset by write-offs and upgrades.

	S$ million	(a) Amount outstanding
1	**Defaulted loans and bills receivable, and debt securities as at 30 June 2017**	2,897
2	Loans and bills receivable, and debt securities that have defaulted in the second half of 2017	2,013
3	Return to non-defaulted status	(511)
4	Amounts written-off	(602)
5	Other changes [1]	(347)
6	**Defaulted loans and bills receivable, and debt securities as at 31 December 2017 (1 + 2 - 3 - 4 ± 5)**	**3,450**

(1) Other changes comprise foreign exchange, increase in existing defaulted loans and bills receivable, and recoveries

7.3 OVERVIEW OF PAST DUE EXPOSURE AND IMPAIRMENT ALLOWANCES

The following tables provide a breakdown of defaulted loans and bills receivable ("Non-Performing Loans") by geography, credit grade under MAS Notice 612 and industry. In addition, under FRS 107, loans and bill receivable that are past due and not impaired need to be separately identified and disclosed. Past due loans refer to loans that are overdue by one day or more, while impaired loans are classified as loans with specific allowances made.

The Group assesses impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collateral, which is determined via credit assessment on an individual loan basis. For the assessment of available-for-sale financial assets, the Group follows the guidance of FRS 39 in determining when an investment is impaired.

Total Loans and Bills Receivables – Credit Quality

	S$ million
Neither past due nor impaired	232,020
Not impaired	2,742
Impaired	1,208
Past due loans	3,950
Impaired but not past due	1,351
Gross loans	**237,321**
Specific allowances	(1,236)
Portfolio allowances	(1,417)
Net loans	**234,668**

Non-Performing Loans
Analysed by Geography

S$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
Substandard	760	483	398	74	609	2,324
Doubtful	180	332	29	110	42	693
Loss	146	42	161	48	1	398
Total	**1,086**	**857**	**588**	**232**	**652**	**3,415**

Distribution by geography is determined based on where the credit risk resides.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	305
Manufacturing	304
Building and construction	59
Housing	392
General commerce	291
Transport, storage and communication	1,277
Financial institutions, investment and holding companies	376
Professionals and individuals	146
Others	265
Total	**3,415**

Analysed by Period Overdue

	S$ million
Over 180 days	1,212
Over 90 days to 180 days	257
30 days to 90 days	313
Less than 30 days	48
Past due	**1,830**
No overdue	1,585
Total	**3,415**

Past-Due Loans
Analysed by Industry

	S$ million
Agriculture, mining and quarrying	115
Manufacturing	303
Building and construction	156
General commerce	257
Transport, storage and communication	469
Financial institutions, investment and holding companies	358
Professionals and individuals (include housing)	2,074
Others	218
Total	**3,950**

Analysed by Geography

	S$ million
Singapore	1,283
Malaysia	822
Indonesia	742
Greater China	931
Rest of the World	172
Total	**3,950**

Distribution by geography is determined based on where the credit risk resides.

Impairment Allowances for Loans and Bills Receivable, and Debt Securities
Analysed by Geography

	Specific Allowances			Portfolio Allowances
S$ million	Debt Securities	Loans and Bills Receivables	Total	
Singapore	12	308	320	444
Malaysia	–	340	340	278
Indonesia	–	232	232	184
Greater China	–	61	61	367
Other Asia Pacific	–	111	111	83
Rest of the World	1	184	185	61
Total	**13**	**1,236**	**1,249**	**1,417**

Distribution by geography is determined based on where the credit risk resides.

Analysed by Industry

	Specific Allowances		
S$ million	Debt Securities	Loans and Bills Receivables	Total
Agriculture, mining and quarrying	–	134	134
Manufacturing	–	63	63
Building and construction	–	12	12
Housing	–	42	42
General commerce	–	139	139
Transport, storage and communication	–	499	499
Financial institutions, investment and holding companies	13	124	137
Professionals and individuals	–	90	90
Others	–	133	133
Total	**13**	**1,236**	**1,249**

Analysed by Industry

	Specific Allowances Charged to Income Statement		
S$ million	Debt Securities	Loans and Bills Receivables	Total
Agriculture, mining and quarrying	–	175	175
Manufacturing	16	93	109
Building and construction	–	48	48
Housing	–	11	11
General commerce	–	92	92
Transport, storage and communication	–	694	694
Financial institutions, investment and holding companies	16	130	146
Professionals and individuals	–	52	52
Others	–	112	112
Total	**32**	**1,407**	**1,439**

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

Reconciliation of Changes in Impairment Allowances

S$ million	Specific Allowances
At 1 January 2017	642
Currency translation	(29)
Bad debts written off	(786)
Recovery of amounts previously provided for	(65)
Allowances for loans	1,504
Net allowances charged to income statements	1,439
Interest recognition on impaired loans	(19)
Transfer from other assets	2
At 31 December 2017	**1,249**

S$ million	Portfolio Allowances
At 1 January 2017	2,241
Currency translation	(38)
Allowances credited to income statements	(786)
At 31 December 2017	**1,417**

Past-Due Loans Not Impaired

These are loans and bills receivables that 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 following table provides the ageing analysis of non-impaired past due exposures in accordance with FRS 107.

Analysed by Period Overdue

	S$ million
Past due	
Less than 30 days	1,229
30 to 90 days	985
Over 90 days	528
Past due but not impaired	**2,742**

7.4 RESTRUCTURED EXPOSURES

Restructured exposures refer to exposures where the bank has granted concessions or restructured repayment terms to borrowers who are facing difficulties in meeting original repayment schedules. They are classified in the appropriate non-performing grades and not restored to performing loan status until the borrowers have demonstrated sustained ability to meet all future obligations under the restructured terms.

The following table provides the breakdown of impaired and non-impaired restructured exposures.

S$ million	Impaired Exposures	Non-impaired Exposures
Credit Quality of Restructured Exposures		
Substandard	505	198
Doubtful	206	5
Loss	52	–
Passed/ Watchlist/ Special Mention	–	577
At 31 December 2017	**763**	**780**

8. OVERVIEW OF RISK WEIGHTED ASSETS

The table below provides an overview of the Group's total RWA, broken down by the approaches with which the RWA are computed, as stipulated by MAS Notice 637.

		(a)	(b)	(c)
		RWA		Minimal Capital Requirements [1]
	S$ million	Dec-17	Sep-17	Dec-17
1	Credit Risk (excluding Counterparty Credit Risk)	147,035	155,613	14,703
2	Of which: Standardised Approach for Credit and Equity exposures	40,892	55,672	4,089
3	Of which: IRB Approach for Credit and Equity exposures [2]	106,143	99,941	10,614
4	Credit Risk: Counterparty Credit Risk	4,674	4,961	467
5	Of which: Current Exposure Method [3]	4,674	4,961	467
6	Of which: Internal Models Method	–	–	–
7	Equity exposures under Simple Risk Weight Method	1,305	5,443	131
8	Equity investments in funds - Look Through Approach	–	–	–
9	Equity investments in funds - Mandate-Based Approach	–	–	–
10	Equity investments in funds - Fall Back Approach	3,212	3,347	321
10a	Equity investments in funds - Partial Use of an Approach	–	–	–
11	Unsettled Transactions	#	2	#
12	Securitisation exposures in banking book	–	–	–
13	Of which: Ratings-Based and Internal Assessment Methods	–	–	–
14	Of which: Supervisory Formula	–	–	–
15	Of which: Standardised Approach	–	–	–
16	Market Risk	16,130	20,475	1,613
17	Of which: Standardised Approach	16,130	20,475	1,613
18	Of which: Internal Models Approach	–	–	–
19	Operational Risk	13,591	13,397	1,359
20	Of which: Basic Indicator Approach	2,663	2,592	266
21	Of which: Standardised Approach	10,928	10,805	1,093
22	Of which: Advanced Measurement Approach	–	–	–
23	Credit RWA pursuant to paragraph 6.1.3(p)(iii) [4]	7,135	8,134	714
24	Floor Adjustment	–	–	–
25	**Total**	**193,082**	**211,372**	**19,308**

(1) Minimum capital requirements are calculated at 10% of RWA.
(2) Refers to Equity exposures under the Probability of Default ("PD")/Loss Given Default ("LGD") Method.
(3) CCR RWA includes RWA attributed to Credit Valuation Adjustments ("CVA") and Central Counterparties ("CCP").
(4) Refers to Credit RWA attributed to investments in the ordinary shares of unconsolidated major stake companies that are financial institutions, within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii)
\# represents amounts of less than $0.5 million

The decrease in RWA between September 2017 and December 2017 was largely attributed to lower Credit and Market Risk RWA:

- Credit RWA decreased primarily due to the migration of Margin Lending portfolio booked in Bank of Singapore from the Standardised Approach to the IRB Approach. In addition, lower Equity Credit RWA and Credit RWA pursuant to paragraph 6.1.3(p)(iii) was because of the adoption of the amended definition of insurance subsidiary in accordance with MAS Notice 637 with effect from December 2017.
- Market Risk RWA decreased due to enhancements in the methodology for calculating RWA for Interest Rate and Foreign Exchange risk

9. CREDIT EXPOSURES UNDER STANDARDISED AND IRB APPROACH

9.1 CREDIT EXPOSURES UNDER STANDARDISED APPROACH AND CRM EFFECTS

The following table illustrates the effects of credit risk mitigation ("CRM") on the calculation of capital requirements for credit and equity exposures under the Standardised approach.

In the second half of 2017, the majority of Sovereign and Margin Lending exposures migrated to IRB approach.

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM [1]		Exposures post-CCF and post-CRM [2]			
	S$ million	On-Balance Sheet	Off-Balance Sheet	On-Balance Sheet	Off-Balance Sheet	RWA	RWA Density [3]
	Asset Class						
1	Cash Items	866	–	866	–	6	1%
2	Sovereign	3,128	–	3,128	–	436	14%
3	PSE	55	35	504	#	115	23%
4	MDB	36	101	36	6	–	0%
5	Bank	5,584	#	5,612	–	2,540	45%
6	Corporate	12,500	5,579	11,554	1,316	12,103	94%
7	Regulatory Retail	5,856	2,216	5,587	57	4,234	75%
8	Residential Mortgage	14,194	11	13,854	5	5,174	37%
9	Commercial Real Estate	9,930	1,853	9,909	183	10,109	100%
10	Equity exposures	–	–	–	–	–	NA
11	Past Due exposures	122	–	122	–	148	121%
12	Higher risk exposures	–	–	–	–	–	NA
13	Others [4]	6,319	846	5,989	37	6,027	100%
14	**Total**	**58,590**	**10,641**	**57,161**	**1,604**	**40,892**	**70%**

(1) This refers to the regulatory exposure amount (net of impairment allowances and write offs where applicable) before the Credit Conversion Factor ("CCF") for off-balance sheet exposures and the recognised Credit Risk Mitigation ("CRM") are applied.
(2) This is the net credit equivalent amount, after taking into account the effects of CCFs and CRM.
(3) Total RWA divided by the exposures post-CCF and post-CRM.
(4) Includes other exposures not included in the above asset classes, such as fixed assets.
Represents amounts of less than $0.5 million.

9.2 CREDIT EXPOSURES UNDER STANDARDISED APPROACH BY RISK WEIGHT

The following table provides a breakdown of credit risk exposures treated under the Standardised approach by asset class and risk weight. The risk weight assigned corresponds to the level of risk attributed to each exposure.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		Risk Weight									
	S$ million	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total EAD [1]
	Asset Class										
1	Cash Items	837	–	29	–	–	–	–	–	–	866
2	Sovereign	2,257	–	–	–	871	–	–	–	–	3,128
3	PSE	21	–	460	–	–	–	23	–	–	504
4	MDB	42	–	–	–	–	–	–	–	–	42
5	Bank	–	–	898	–	4,707	–	7	–	–	5,612
6	Corporate	–	–	101	–	1,379	–	11,383	7	–	12,870
7	Regulatory Retail	–	–	–	–	–	5,643	–	1	–	5,644
8	Residential Mortgage	–	–	–	13,227	–	350	282	–	–	13,859
9	Commercial Real Estate	–	–	–	–	–	–	10,057	35	–	10,092
10	Equity exposures	–	–	–	–	–	–	–	–	–	–
11	Past Due exposures	–	–	–	–	–	–	71	51	–	122
12	Higher risk exposures	–	–	–	–	–	–	–	–	–	–
13	Others [2]	–	–	–	–	–	–	6,026	–	–	6,026
14	**Total**	**3,157**	**–**	**1,488**	**13,227**	**6,957**	**5,993**	**27,849**	**94**	**–**	**58,765**

(1) Total EAD refers to both on and off-balance sheet amounts that are used for computing capital requirements, net of impairment allowances and write-offs and after application of CRM and CCF.
(2) Includes other exposures not included in the above asset classes, such as fixed assets.

9.3 CREDIT EXPOSURES UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA")

The following table provides the main parameters used in the treatment of exposures for the calculation of capital requirements under the F-IRBA.

At the end of 2017, the majority of the Sovereign exposures migrated to F-IRBA from the Standardised Approach.

	(a) On-Balance Sheet[1]	(b) Off-Balance Sheet[2]	(c) Average CCF (%)	(d) EAD[3] (S$ million)	(e) Average PD[4] (%)	(f) Number of Obligors[5]	(g) Average LGD[4] (%)	(h) Average Maturity[6] (In years)	(i) RWA (S$ million)	(j) RWA Density[7] (%)	(k) Expected Losses (S$ million)	(l) TEP[8] (S$ million)
Sovereign	(S$ million)											
PD Range												
0.00 to < 0.15	36,442	167	100%	36,626	0.00%	23	45%	1.3	575	2%	1	
0.15 to < 0.25	–	–	–	–	–	–	–	–	–	NA	–	
0.25 to < 0.50	112	–	0%	112	0.37%	3	45%	3.4	84	75%	#	
0.50 to < 0.75	–	–	–	–	–	–	–	–	–	NA	–	
0.75 to < 2.50	3	–	0%	3	1.90%	1	45%	1.0	3	100%	#	
2.50 to < 10.00	64	–	0%	64	6.42%	1	45%	1.0	99	155%	2	
10.00 to < 100.00	–	#	–	–	–	1	–	–	–	NA	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	NA	–	
Sub-total	**36,621**	**167**	**100%**	**36,805**	**0.02%**	**29**	**45%**	**1.4**	**761**	**2%**	**3**	**7**
Bank												
PD Range												
0.00 to < 0.15	42,507	2,014	3%	43,502	0.05%	223	45%	0.8	5,989	14%	10	
0.15 to < 0.25	–	–	–	–	–	–	–	–	–	NA	–	
0.25 to < 0.50	4,248	49	28%	6,059	0.37%	31	45%	0.9	3,493	58%	10	
0.50 to < 0.75	4,402	69	71%	4,534	0.54%	22	45%	0.6	3,131	69%	11	
0.75 to < 2.50	777	14	58%	784	1.13%	27	45%	0.6	749	96%	4	
2.50 to < 10.00	107	6	42%	109	6.15%	24	40%	0.2	159	146%	3	
10.00 to < 100.00	8	69	8%	8	11.10%	37	45%	0.6	17	205%	#	
100.00 (Default)	#	–	0%	#	100.00%	1	45%	1.0	–	0%	#	
Sub-total	**52,049**	**2,221**	**6%**	**54,996**	**0.16%**	**365**	**45%**	**0.8**	**13,538**	**25%**	**38**	**125**
Corporate												
PD Range												
0.00 to < 0.15	32,293	31,213	19%	38,197	0.09%	850	44%	2.2	10,461	27%	16	
0.15 to < 0.25	1	4	0%	1	0.18%	7	41%	3.9	1	49%	#	
0.25 to < 0.50	13,840	13,430	21%	16,561	0.37%	477	44%	1.9	9,388	57%	27	
0.50 to < 0.75	6,955	7,730	21%	8,323	0.54%	519	43%	2.1	5,615	67%	19	
0.75 to < 2.50	10,629	10,618	12%	10,445	1.48%	792	42%	2.0	10,140	97%	65	
2.50 to < 10.00	5,113	3,388	24%	5,043	4.84%	315	43%	2.0	7,224	143%	105	
10.00 to < 100.00	972	2,167	3%	973	14.40%	299	40%	2.9	1,992	205%	55	
100.00 (Default)	1,825	16	45%	1,832	100.00%	150	44%	2.8	–	0%	804	
Sub-total	**71,628**	**68,566**	**18%**	**81,375**	**3.09%**	**3,409**	**43%**	**2.1**	**44,821**	**55%**	**1,090**	**1,372**

(OCBC Group – As at 31 December 2017)

9.3 CREDIT EXPOSURES UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA") (Continued)

	(a) On-Balance Sheet [1]	(b) Off-Balance Sheet [2]	(c) Average CCF (%)	(d) EAD [3] (S$ million)	(e) Average PD [4] (%)	(f) Number of Obligors [5]	(g) Average LGD [4] (%)	(h) Average Maturity [6] (In years)	(i) RWA (S$ million)	(j) RWA Density [7] (%)	(k) Expected Losses (S$ million)	(l) TEP [8] (S$ million)
Corporate (IPRE)	(S$ million)											
PD Range												
0.00 to < 0.15	1,925	115	53%	1,986	0.14%	12	45%	2.6	763	38%	1	
0.15 to < 0.25	–	–	–	–	–	–	–	–	–	NA	–	
0.25 to < 0.50	3,273	511	57%	3,564	0.37%	37	45%	2.1	2,102	59%	6	
0.50 to < 0.75	6,301	1,532	50%	7,072	0.54%	80	45%	2.3	5,211	74%	17	
0.75 to < 2.50	9,999	3,657	67%	12,378	1.40%	240	45%	2.4	13,272	107%	78	
2.50 to < 10.00	1,597	622	34%	1,811	4.17%	131	45%	2.9	2,767	153%	34	
10.00 to < 100.00	228	46	64%	257	11.25%	18	45%	1.5	516	201%	13	
100.00 (Default)	2	–	0%	2	100.00%	1	45%	5.0	–	0%	1	
Sub-total	**23,325**	**6,483**	**59%**	**27,070**	**1.23%**	**519**	**45%**	**2.4**	**24,631**	**91%**	**150**	**227**
Corporate Small Business												
PD Range												
0.00 to < 0.15	344	634	12%	416	0.12%	450	40%	3.0	131	31%	#	
0.15 to < 0.25	479	124	15%	498	0.16%	795	38%	4.3	199	40%	#	
0.25 to < 0.50	945	792	10%	1,025	0.37%	327	40%	3.5	640	62%	2	
0.50 to < 0.75	655	822	12%	756	0.54%	603	40%	2.4	419	55%	2	
0.75 to < 2.50	2,141	1,906	10%	2,260	1.44%	6,659	38%	2.1	1,712	76%	12	
2.50 to < 10.00	1,847	1,017	9%	1,908	4.51%	683	37%	2.5	2,071	109%	32	
10.00 to < 100.00	413	108	10%	423	12.28%	447	32%	2.5	559	132%	17	
100.00 (Default)	1,307	3	1	1,309	100.00%	140	44%	2.3	–	0%	575	
Sub-total	**8,131**	**5,406**	**11%**	**8,595**	**17.32%**	**10,104**	**39%**	**2.6**	**5,731**	**67%**	**640**	**699**
Total (all portfolios)	**191,754**	**82,843**	**21%**	**208,841**	**2.12%**	**14,426**	**44%**	**1.7**	**89,482**	**43%**	**1,921**	**2,430**

(1) On-balance sheet refers to the amount of the on-balance sheet exposure gross of impairment allowances (before taking into account the effect of CRM).
(2) Off-balance sheet refers to the exposure value without taking into account valuation adjustments and impairment allowances, CCFs and the effect of CRM.
(3) EAD refers to the amount relevant for the capital requirements calculation, after taking into account the effect of CCFs and CRM.
(4) Refers to the PD and LGD associated with each obligor grade, weighted by EAD.
(5) Number of obligors refers to the number of counterparties.
(6) Refers to the effective maturity of the exposures to the obligor in years, weighted by EAD.
(7) Total RWA divided by the exposures post-CCF and post-CRM.
(8) Refers to the total eligible provisions attributed to the respective portfolios.
Represents amounts of less than $0.5 million.

9.4 CREDIT EXPOSURES UNDER ADVANCED INTERNAL RATINGS-BASED APPROACH ("A-IRBA")

The following table provides the main parameters used in the treatment of exposures for the calculation of capital requirements under the A-IRBA.

At the end of 2017, the Margin Lending portfolio booked in Bank of Singapore migrated to A-IRBA and is reflected under Other Retail and Corporate asset classes.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	On-Balance Sheet [1]	Off-Balance Sheet [2]	Average CCF (%)	EAD [3] (S$ million)	Average PD [4] (%)	Number of Obligors [5]	Average LGD [4] (%)	Average Maturity [6] (In years)	RWA (S$ million)	RWA Density [7] (%)	Expected Losses (S$ million)	TEP [8] (S$ million)
Residential Mortgage	(S$ million)											
PD Range												
0.00 to < 0.15	2,370	708	67%	2,844	0.05%	11,195	10%		45	2%	#	
0.15 to < 0.25	12,673	898	75%	13,350	0.15%	36,044	10%		478	4%	3	
0.25 to < 0.50	12,379	855	67%	12,949	0.25%	44,832	10%		682	5%	3	
0.50 to < 0.75	14,065	653	70%	14,523	0.50%	49,361	11%		1,267	9%	8	
0.75 to < 2.50	7,536	515	72%	7,909	1.02%	37,339	11%		1,160	15%	9	
2.50 to < 10.00	4,007	158	76%	4,127	3.62%	12,660	11%		1,248	30%	16	
10.00 to < 100.00	1,207	15	103%	1,223	23.12%	7,476	11%		762	62%	32	
100.00 (Default)	402	9	0%	402	100.00%	2,598	15%		296	74%	53	
Sub-total	**54,639**	**3,811**	**71%**	**57,327**	**1.82%**	**201,505**	**11%**		**5,938**	**10%**	**124**	**109**
Qualifying Revolving Retail												
PD Range												
0.00 to < 0.15	662	5,581	45%	3,157	0.06%	543,449	80%		103	3%	1	
0.15 to < 0.25	30	948	54%	538	0.17%	101,474	84%		45	8%	1	
0.25 to < 0.50	247	940	43%	653	0.29%	122,268	80%		79	12%	2	
0.50 to < 0.75	315	753	46%	663	0.59%	93,449	78%		139	21%	3	
0.75 to < 2.50	309	537	59%	625	1.43%	86,030	83%		274	44%	7	
2.50 to < 10.00	297	232	66%	451	5.10%	63,223	84%		482	107%	19	
10.00 to < 100.00	95	55	68%	133	23.47%	18,634	84%		294	222%	26	
100.00 (Default)	30	–	0%	30	100.00%	4,535	82%		#	0%	30	
Sub-total	**1,985**	**9,046**	**47%**	**6,250**	**1.62%**	**1,033,062**	**81%**		**1,416**	**23%**	**89**	**42**
Retail Small Business												
PD Range												
0.00 to < 0.15	286	274	57%	443	0.10%	2,724	26%		30	7%	#	
0.15 to < 0.25	1,359	516	47%	1,604	0.17%	6,204	33%		210	13%	2	
0.25 to < 0.50	311	37	59%	332	0.35%	1,087	35%		71	21%	#	
0.50 to < 0.75	598	41	61%	623	0.50%	3,224	37%		176	28%	1	
0.75 to < 2.50	960	77	62%	1,007	1.15%	7,004	42%		481	48%	5	
2.50 to < 10.00	581	28	79%	603	4.45%	6,739	43%		392	65%	11	
10.00 to < 100.00	345	13	78%	355	27.19%	3,401	45%		347	98%	43	
100.00 (Default)	145	1	4%	145	100.00%	1,649	55%		228	157%	64	
Sub-total	**4,585**	**987**	**53%**	**5,112**	**5.62%**	**32,032**	**37%**		**1,935**	**38%**	**126**	**82**

9.4 CREDIT EXPOSURES UNDER ADVANCED INTERNAL RATINGS-BASED APPROACH ("A-IRBA") (Continued)

	(a) On-Balance Sheet [1]	(b) Off-Balance Sheet [2]	(c) Average CCF (%)	(d) EAD [3] (S$ million)	(e) Average PD [4] (%)	(f) Number of Obligors [5]	(g) Average LGD [4] (%)	(h) Average Maturity [6] (In years)	(i) RWA (S$ million)	(j) RWA Density [7] (%)	(k) Expected Losses (S$ million)	(l) TEP [8] (S$ million)
Other Retail	**(S$ million)**											
PD Range												
0.00 to < 0.15	357	448	97%	792	0.05%	3,550	9%		10	1%	#	
0.15 to < 0.25	2,849	348	84%	3,140	0.18%	27,277	10%		131	4%	1	
0.25 to < 0.50	271	37	63%	295	0.31%	4,435	15%		26	9%	#	
0.50 to < 0.75	3,302	263	96%	3,554	0.50%	7,154	9%		253	7%	2	
0.75 to < 2.50	6,589	1,168	99%	7,750	1.48%	8,786	9%		853	11%	10	
2.50 to < 10.00	3,785	625	100%	4,409	4.99%	4,127	11%		745	17%	24	
10.00 to < 100.00	6,677	596	100%	7,272	13.18%	5,037	10%		1,507	21%	103	
100.00 (Default)	45	1	2%	45	100.00%	284	28%		75	166%	14	
Sub-total	**23,875**	**3,486**	**97%**	**27,257**	**5.00%**	**60,650**	**10%**		**3,600**	**13%**	**154**	**47**
Corporate												
PD Range												
0.00 to < 0.15	126	122	99%	247	0.05%	531	7%		5	2%	#	
0.15 to < 0.25	340	103	100%	443	0.20%	744	7%		22	5%	#	
0.25 to < 0.50	–	–	–	–	–	–	–		–	NA	–	
0.50 to < 0.75	683	134	100%	817	0.50%	641	7%		71	9%	#	
0.75 to < 2.50	1,269	214	100%	1,483	1.34%	711	8%		238	16%	2	
2.50 to < 10.00	1,230	272	100%	1,502	5.00%	464	9%		443	29%	7	
10.00 to < 100.00	2,059	419	100%	2,478	13.65%	991	14%		1,556	63%	48	
100.00 (Default)	–	–	–	–	–	–	–		–	NA	–	
Sub-total	**5,707**	**1,264**	**100%**	**6,970**	**6.29%**	**4,082**	**10%**	**1.0**	**2,335**	**33%**	**57**	**21**
Total (all portfolios)	**90,791**	**18,594**	**65%**	**102,916**	**3.14%**	**1,331,331**	**16%**		**15,224**	**15%**	**550**	**301**

(1) On-balance sheet refers to the amount of the on-balance sheet exposure gross of impairment allowances (before taking into account the effect of CRM).
(2) Off-balance sheet refers to the exposure value without taking into account valuation adjustments and impairment allowances, CCFs and the effect of CRM.
(3) EAD refers to the amount relevant for the capital requirements calculation, after taking into account the effects of CCFs and CRM.
(4) Refers to the PD and LGD associated with each obligor grade, weighted by EAD.
(5) Number of obligors refers to the number of accounts, except for Retail Small Business which refers to the number of counterparties.
(6) Refers to the effective maturity of the exposures to the obligor in years and is not applicable for portfolios under the IRB treatment of Retail asset classes ("A-IRB"); For Corporate asset class, average effective maturity is one year across all PD ranges.
(7) Total RWA divided by the exposures post-CCF and post-CRM.
(8) Refers to the total eligible provisions attributed to the respective portfolios.
Represents amounts of less than $0.5 million.

9.5 EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM

The Group does not recognise credit derivatives as a credit risk mitigant for exposures under F-IRBA or A- IRBA.

10. BACKTESTING OF PD FOR PORTFOLIOS UNDER IRB APPROACH

10.1 BACKTESTING OF PD FOR PORTFOLIOS UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA")

The following table provides the information used to validate the reliability of PD used in the calculation of capital requirements. It compares the PD under F-IRBA with the five-year average of the annual observed default rate of the Group's obligors.

(a) (b)		(c) External Ratings		(d)	(e)	(f) Number of Obligors		(g)	(h)	(i)
Bank	**S&P**	**Fitch**	**Moody's**	**PD [1] (%)**	**Arithmetic PD of Obligors [2] (%)**	**Dec-16 [3]**	**Dec-17 [3]**	**Defaulted Obligors (Dec-17)**	**Of which: New Defaulted Obligors [4] (Dec-17)**	**Historical Annual Default Rate [5] (%)**
PD Range										
0.00 to < 0.15	AAA to BBB	AAA to BBB	Aaa to Baa2	0.04%	0.06%	223	236	–	–	–
0.15 to < 0.25	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	NA	NA	–	–	–	–	–
0.25 to < 0.50	BBB- to BB+	BBB- to BB+	Baa3 to Ba1	0.37%	0.37%	44	31	–	–	–
0.50 to < 0.75	BB+	BB+	Ba1	0.54%	0.54%	25	22	–	–	–
0.75 to < 2.50	BB+ to B+	BB+ to B+	Ba1 to B1	1.15%	1.54%	26	29	–	–	–
2.50 to < 10.00	B+ to B-	B+ to B-	B1 to B3	5.12%	4.92%	15	25	–	–	–
10.00 to < 100.00	B- to C-	B- to C-	B3 to C3	11.10%	11.10%	44	38	–	–	–
Total				**0.13%**	**1.71%**	**377**	**381**	**–**	**–**	**–**

Corporate										
PD Range										
0.00 to < 0.15	AAA to BBB	AAA to BBB	Aaa to Baa2	0.09%	0.11%	844	890	–	–	0.00%
0.15 to < 0.25	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	NA	0.15%	1	7	–	–	–
0.25 to < 0.50	BBB- to BB+	BBB- to BB+	Baa3 to Ba1	0.37%	0.37%	427	483	–	–	0.04%
0.50 to < 0.75	BB+	BB+	Ba1	0.54%	0.54%	501	526	–	–	0.08%
0.75 to < 2.50	BB+ to B+	BB+ to B+	Ba1 to B1	1.49%	1.50%	903	804	1	–	0.52%
2.50 to < 10.00	B+ to B-	B+ to B-	B1 to B3	5.14%	4.55%	402	319	24	5	2.45%
10.00 to < 100.00	B- to C-	B- to C-	B3 to C3	12.94%	11.50%	279	327	16	1	2.27%
Total				**1.08%**	**2.06%**	**3,357**	**3,356**	**41**	**6**	**0.67%**

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

10.1 BACKTESTING OF PD FOR PORTFOLIOS UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA") (Continued)

(a)	(b)	(c)			(d)	(e)	(f)		(g)	(h)	(i)
		External Ratings					Number of Obligors				
Corporate IPRE		S&P	Fitch	Moody's	PD [1] (%)	Arithmetic PD of Obligors [2] (%)	Dec-16 [3]	Dec-17 [3]	Defaulted Obligors (Dec-17)	Of which: New Defaulted Obligors [4] (Dec-17)	Historical Annual Default Rate [5] (%)
PD Range											
	0.00 to < 0.15	AAA to BBB	AAA to BBB	Aaa to Baa2	0.14%	0.14%	12	13	–	–	
	0.15 to < 0.25	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	NA	NA	–	–	–	–	
	0.25 to < 0.50	BBB- to BB+	BBB- to BB+	Baa3 to Ba1	0.37%	0.37%	39	37	–	–	
	0.50 to < 0.75	BB+	BB+	Ba1	0.54%	0.54%	80	81	–	–	
	0.75 to < 2.50	BB+ to B+	BB+ to B+	Ba1 to B1	1.38%	1.44%	235	240	–	–	
	2.50 to < 10.00	B+ to B-	B+ to B-	B1 to B3	4.05%	4.30%	137	131	–	–	
	10.00 to < 100.00	B- to C-	B- to C-	B3 to C3	11.50%	12.65%	18	18	1	–	
Total					**1.18%**	**2.33%**	**521**	**520**	**1**	**–**	**0.37%**

Corporate Small Business		S&P	Fitch	Moody's	PD [1] (%)	Arithmetic PD of Obligors [2] (%)	Dec-16 [3]	Dec-17 [3]	Defaulted Obligors (Dec-17)	Of which: New Defaulted Obligors [4] (Dec-17)	Historical Annual Default Rate [5] (%)
PD Range											
	0.00 to < 0.15	AAA to BBB	AAA to BBB	Aaa to Baa2	0.13%	0.12%	427	459	–	–	0.00%
	0.15 to < 0.25	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	0.16%	0.17%	894	795	–	–	0.08%
	0.25 to < 0.50	BBB- to BB+	BBB- to BB+	Baa3 to Ba1	0.37%	0.36%	313	331	–	–	0.05%
	0.50 to < 0.75	BB+	BB+	Ba1	0.54%	0.52%	601	612	–	–	0.07%
	0.75 to < 2.50	BB+ to B+	BB+ to B+	Ba1 to B1	1.52%	1.57%	6,587	6,664	3	–	0.06%
	2.50 to < 10.00	B+ to B-	B+ to B-	B1 to B3	4.47%	4.35%	727	688	14	–	1.27%
	10.00 to < 100.00	B- to C-	B- to C-	B3 to C3	17.15%	13.40%	316	449	17	1	1.91%
Total					**3.32%**	**1.86%**	**9,865**	**9,998**	**34**	**1**	**0.20%**

(1) Refers to PD associated with each obligor grade, weighted by EAD.

(2) Arithmetic mean of PDs by the number of obligors within the PD range.

(3) Number of obligors refers to the number of counterparties at the beginning and end of the reporting period.

(4) New defaulted obligors refers to the number of obligors that defaulted during the last 12-month period that were not funded at the end of the previous annual reporting period.

(5) Refers to the average of the annual observed default rate ("ODR") over the last five years. For Corporate IPRE, ODR is only available at overall asset class level as it adopted PD approach in Q4 2015.

10.2 BACKTESTING OF PD FOR PORTFOLIOS UNDER ADVANCED INTERNAL RATINGS-BASED APPROACH (“A-IRBA”)

The following table provides the information used to validate the reliability of PD used in the calculation of capital requirements. It compares the PD under A-IRBA with the five-year average of the annual observed default rate of the Group’s obligors.

The increase in the number of obligors under Other Retail asset class between December 2016 and December 2017 was largely due to the migration of Margin Lending portfolio booked in Bank of Singapore to A-IRBA.

(a)	(b)	(c)			(d)	(e)	(f)		(g)	(h)	(i)
		External Ratings [1]					Number of Obligors				
	Residential Mortgage	S&P	Fitch	Moody’s	PD [2] (%)	Arithmetic PD of Obligors [3] (%)	Dec-16 [4]	Dec-17 [4]	Defaulted Obligors (Dec-17)	Of which: New Defaulted Obligors [5] (Dec-17)	Historical Annual Default Rate [6] (%)
PD Range											
	0.00 to < 0.15				0.06%	0.05%	10,837	11,195	13	–	0.08%
	0.15 to < 0.25				0.15%	0.15%	34,380	36,044	30	3	0.10%
	0.25 to < 0.50				0.25%	0.25%	44,898	44,832	106	–	0.21%
	0.50 to < 0.75				0.50%	0.50%	51,586	49,361	194	5	0.35%
	0.75 to < 2.50				1.04%	1.14%	40,768	37,339	284	18	0.81%
	2.50 to < 10.00				3.88%	4.56%	9,251	12,660	293	93	2.24%
	10.00 to < 100.00				22.76%	23.21%	7,786	7,476	1,708	134	20.58%
Total					**1.14%**	**1.57%**	**199,506**	**198,907**	**2,628**	**253**	**1.18%**
	Qualifying Revolving Retail										
PD Range											
	0.00 to < 0.15				0.06%	0.06%	542,017	543,449	611	–	0.08%
	0.15 to < 0.25				0.17%	0.16%	88,934	101,474	94	10	0.17%
	0.25 to < 0.50				0.29%	0.29%	122,827	122,268	389	–	0.29%
	0.50 to < 0.75				0.59%	0.60%	102,652	93,449	674	6	0.61%
	0.75 to < 2.50				1.45%	1.45%	97,658	86,030	1,512	68	1.35%
	2.50 to < 10.00				5.09%	4.95%	77,373	63,223	3,843	172	4.47%
	10.00 to < 100.00				23.95%	23.94%	23,492	18,634	4,884	38	20.81%
Total					**1.36%**	**1.17%**	**1,054,953**	**1,028,527**	**12,007**	**294**	**1.08%**

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

10.2 BACKTESTING OF PD FOR PORTFOLIOS UNDER ADVANCED INTERNAL RATINGS-BASED APPROACH ("A-IRBA") (Continued)

(a)	(b)	(c)			(d)	(e)	(f)		(g)	(h)	(i)
		External Ratings [1]					Number of Obligors				
	Retail Small Business	S&P	Fitch	Moody's	PD [2] (%)	Arithmetic PD of Obligors [3] (%)	Dec-16 [4]	Dec-17 [4]	Defaulted Obligors (Dec-17)	Of which: New Defaulted Obligors [5] (Dec-17)	Historical Annual Default Rate [6] (%)
PD Range											
	0.00 to < 0.15				0.10%	0.10%	3,040	2,724	–	–	–
	0.15 to < 0.25				0.17%	0.18%	6,602	6,204	11	–	0.33%
	0.25 to < 0.50				0.35%	0.35%	1,103	1,087	6	–	0.43%
	0.50 to < 0.75				0.50%	0.50%	3,596	3,224	7	–	0.32%
	0.75 to < 2.50				1.16%	1.24%	7,190	7,009	66	1	0.99%
	2.50 to < 10.00				4.33%	4.73%	7,501	6,773	202	5	3.10%
	10.00 to < 100.00				26.51%	26.62%	3,478	3,401	580	7	20.40%
Total					**2.88%**	**4.33%**	**32,510**	**30,422**	**872**	**13**	**2.59%**
	Other Retail										
PD Range											
	0.00 to < 0.15				0.05%	0.05%	10,707	4,374	9	–	0.16%
	0.15 to < 0.25				0.16%	0.16%	13,911	28,472	12	1	0.16%
	0.25 to < 0.50				0.33%	0.30%	1,854	4,435	6	–	0.19%
	0.50 to < 0.75				0.50%	0.51%	3,931	8,490	21	1	0.43%
	0.75 to < 2.50				1.22%	1.17%	3,238	11,826	23	–	0.66%
	2.50 to < 10.00				4.62%	4.60%	1,249	8,051	38	–	1.75%
	10.00 to < 100.00				16.94%	18.39%	652	7,401	85	2	13.03%
Total					**1.04%**	**0.76%**	**35,542**	**73,049**	**194**	**4**	**0.59%**

(1) Not applicable for Retail asset classes.
(2) Refers to PD associated with each obligor grade, weighted by EAD.
(3) Arithmetic mean of PDs by the number of obligors within the PD range.
(4) Number of obligors refers to the number of accounts at the beginning and end of the reporting period, except for Retail Small Business which refers to the number of counterparties.
(5) New defaulted obligors refers to the number of obligors that defaulted during the last 12-month period that were not funded at the end of the previous annual reporting period.
(6) Refers to the average of the annual observed default rate over the last five years.

11. SPECIALISED LENDING AND EQUITY EXPOSURES

11.1 SPECIALISED LENDING EXPOSURES UNDER SUPERVISORY SLOTTING CRITERIA

Exposures treated under the Supervisory Slotting Criteria include loans to customers for Project Financing ("PF"), Object Financing ("OF") and Commodity Financing ("CF"), which remained stable during the second half of 2017. Income Producing Real Estate ("IPRE") exposures are reported under F-IRBA.

Specialised Lending Portfolio (S$ million)					**EAD [3]**					
Regulatory Categories	**Remaining Maturities**	**On- Balance Sheet [1]**	**Off- Balance Sheet [2]**	**Risk Weight (%)**	**PF**	**OF**	**CF**	**Total**	**RWA**	**Expected Losses**
	Less than 2.5 years	–	–	50%	–	–	–	–	–	–
Strong	Equal to or more than 2.5 years	–	–	70%	–	–	–	–	–	–
	Less than 2.5 years	–	–	70%	–	–	–	–	–	–
Good	Equal to or more than 2.5 years	–	–	90%	–	–	–	–	–	–
Satisfactory		707	1,524	115%	844	101	233	1,178	1,437	33
Weak		–	–	250%	–	–	–	–	–	–
Default		61	–	–	29	26	11	66	–	33
Total		**768**	**1,524**		**873**	**127**	**244**	**1,244**	**1,437**	**66**

(1) On-balance sheet refers to the amount of the on-balance sheet exposure net of impairment allowances and write-offs (after taking into account the effect of CRM).

(2) Off-balance sheet refers to the exposure value without taking into account the effects of CCFs and CRM.

(3) EAD refers to the amount relevant for capital requirements calculated by taking into account the effects of CCFs and CRM.

11.2 EQUITY EXPOSURES UNDER SIMPLE RISK WEIGHT METHOD

The table below represents the parameters used for the determination of capital requirements for the Group's equity exposures using the Simple Risk Weight method.

Equity Exposures (S$ million)	**On-Balance Sheet**	**Off-Balance Sheet**	**Risk Weight (%)**	**EAD [1]**	**RWA**
Exchange-Traded Equity Exposures	44	–	300%	44	141
Other Equity Exposures	275	–	400%	275	1,164
Total	**319**	**–**		**319**	**1,305**

(1) EAD refers to the amount relevant for capital requirements calculated by taking into account the effects of CCFs and CRM.

12. COUNTERPARTY CREDIT RISK

12.1 COUNTERPARTY CREDIT RISK EXPOSURES BY APPROACH

Counterparty credit risk ("CCR") is the risk of a counterparty defaulting before the final settlement of the transaction, which generally represents uncertain exposures that can vary over time with the movement of underlying market factors such as those in over-the-counter ("OTC") derivatives.

The Group currently treats CCR under the Current Exposure Method ("CEM"), with regulatory prescribed add-on that represents the potential future exposure in addition to the net replacement cost of the OTC derivatives.

The table below provides an overview of the CCR for OTC derivatives and Securities Financing Transactions ("SFTs").

	Counterparty Credit Risk Exposure by Approach (S$ million)	(a) Replacement Cost	(b) Potential Future Exposure	(c) Effective EPE	(d) Alpha factor (α)	(e) EAD [1]	(f) RWA
1	CEM (For derivatives)	4,603	6,514			6,344	2,129
2	CCR Internal models method (For derivatives and SFTs)			–		–	–
3	FC(SA) for SFTs					–	–
4	FC(CA) for SFTs					5,110	312
5	VaR for SFTs					–	–
6	**Total**						**2,441**

(1) EAD refers to the amount relevant for capital requirements calculation, after taking into account the effects of CRM.

12.2 CVA RISK CAPITAL CHARGE

The Credit Valuation Adjustment ("CVA") is made to the mark-to-market valuation of OTC derivatives as calculated under the Standardised approach for the Group, which remained stable in the second half of the year.

	(S$ million)	(a) EAD [1]	(b) RWA
	Credit Valuation Adjustments (CVA) Risk Capital Requirements		
	Total portfolios subject to Advanced CVA capital requirement	–	–
1	(i) VaR component (including the three-times multiplier)	–	–
2	(ii) Stressed VaR component (including the three-times multiplier)	–	–
3	All portfolios subject to Standardised CVA capital requirement	5,917	1,866
4	**Total portfolios subject to the CVA risk capital requirement**	**5,917**	**1,866**

(1) EAD refers to the amount relevant for capital requirements calculation, after taking into account the effects of CRM.

12.3 COUNTERPARTY CREDIT RISK EXPOSURES UNDER STANDARDISED APPROACH BY RISK WEIGHT

The table below represents the risk weights used in the calculation of capital for the Group's portfolio, which are subjected to the CCR requirements under the Standardised Approach by asset classes.

The decrease in total EAD during the second half of 2017 was due to the migration of Sovereign exposures to F-IRBA.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Risk Weight								
S$ million	0%	10%	20%	50%	75%	100%	150%	Others	Total EAD [1]
Asset Class									
Sovereign	–	–	–	–	–	–	–	–	–
PSE	–	–	#	–	–	–	–	–	#
MDB	–	–	–	–	–	–	–	–	–
Bank	–	–	89	15	–	#	–	–	104
Corporate	–	–	#	–	–	63	–	–	63
Regulatory Retail	–	–	–	–	–	–	–	–	–
Others [2]	–	–	–	–	–	49	–	–	49
Total	**–**	**–**	**89**	**15**	**–**	**112**	**–**	**–**	**216**

(1) EAD refers to the amount relevant for capital requirement calculation, after taking into account the effects of CRM.
(2) Includes other exposures not included in the above asset classes.
\# Represents amounts of less than $0.5 million.

12.4 COUNTERPARTY CREDIT RISK EXPOSURES UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA")

The table below represents the parameters used in the calculation of capital for the Group's portfolio, which are subjected to the CCR requirements under the F-IRBA by asset classes.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Sovereign	**EAD [1] (S$ million)**	**Average PD [2] (%)**	**Number of Obligors [3]**	**Average LGD [2] (%)**	**Average Maturity [4] (In years)**	**RWA (S$ million)**	**RWA Density [5] (%)**
PD Range							
0.00 to < 0.15	1,783	0.00%	7	41%	0.1	1	0%
0.15 to < 0.25	–	–	–	–	–	–	NA
0.25 to < 0.50	–	–	–	–	–	–	NA
0.50 to < 0.75	–	–	–	–	–	–	NA
0.75 to < 2.50	–	–	–	–	–	–	NA
2.50 to < 10.00	–	–	–	–	–	–	NA
10.00 to < 100.00	–	–	–	–	–	–	NA
100.00 (Default)	–	–	–	–	–	–	NA
Sub-total	**1,783**	**0.00%**	**7**	**41%**	**0.1**	**1**	**0%**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Bank	**EAD [1] (S$ million)**	**Average PD [2] (%)**	**Number of Obligors [3]**	**Average LGD [2] (%)**	**Average Maturity [4] (In years)**	**RWA (S$ million)**	**RWA Density [5] (%)**
PD Range							
0.00 to < 0.15	4,362	0.06%	134	31%	0.8	450	10%
0.15 to < 0.25	–	–	–	–	–	–	NA
0.25 to < 0.50	218	0.37%	6	45%	0.3	112	51%
0.50 to < 0.75	972	0.54%	9	14%	0.2	193	20%
0.75 to < 2.50	68	1.11%	4	15%	0.1	16	23%
2.50 to < 10.00	#	3.20%	1	45%	0.0	#	106%
10.00 to < 100.00	#	11.10%	1	45%	0.0	#	212%
100.00 (Default)	–	–	–	–	–	–	NA
Sub-total	**5,620**	**0.17%**	**155**	**28%**	**0.6**	**771**	**14%**
Corporate							
PD Range							
0.00 to < 0.15	1,338	0.08%	159	36%	1.8	299	22%
0.15 to < 0.25	–	–	–	–	–	–	NA
0.25 to < 0.50	708	0.37%	74	15%	0.7	149	21%
0.50 to < 0.75	102	0.54%	57	45%	1.0	58	57%
0.75 to < 2.50	162	1.54%	88	45%	3.3	199	123%
2.50 to < 10.00	121	4.35%	28	45%	3.7	202	167%
10.00 to < 100.00	7	17.84%	31	45%	1.1	16	235%
100.00 (Default)	–	–	–	–	–	–	NA
Sub-total	**2,438**	**0.54%**	**437**	**31%**	**1.6**	**923**	**38%**

12.4 COUNTERPARTY CREDIT RISK EXPOSURES UNDER FOUNDATION INTERNAL RATINGS-BASED APPROACH ("F-IRBA") (Continued)

Corporate (IPRE)							
PD Range							
0.00 to < 0.15	20	0.14%	6	45%	3.2	9	44%
0.15 to < 0.25	–	–	–	–	–	–	NA
0.25 to < 0.50	15	0.37%	11	45%	2.1	9	59%
0.50 to < 0.75	25	0.54%	21	45%	2.1	18	71%
0.75 to < 2.50	23	1.22%	23	45%	2.2	23	101%
2.50 to < 10.00	1	5.07%	4	45%	1.8	2	150%
10.00 to < 100.00	–	–	–	–	–	–	NA
100.00 (Default)	–	–	–	–	–	–	NA
Sub-total	**84**	**0.67%**	**65**	**45%**	**2.4**	**61**	**72%**
Corporate Small Business							
PD Range							
0.00 to < 0.15	3	0.14%	42	45%	0.9	1	22%
0.15 to < 0.25	#	0.15%	2	45%	0.2	#	15%
0.25 to < 0.50	5	0.37%	29	45%	2.7	3	59%
0.50 to < 0.75	212	0.54%	42	37%	0.0	71	34%
0.75 to < 2.50	4	1.32%	56	45%	1.7	3	82%
2.50 to < 10.00	1	5.45%	20	45%	1.0	2	120%
10.00 to < 100.00	#	11.10%	3	45%	0.2	#	154%
100.00 (Default)	4	100.00%	2	45%	1.0	–	0%
Sub-total	**229**	**2.42%**	**196**	**38%**	**0.1**	**80**	**35%**
Total (all portfolios)	**10,154**	**0.28%**	**860**	**31%**	**0.8**	**1,836**	**18%**

(1) EAD refers to the amount relevant for capital requirements calculation, after taking into account the effects of CRM.
(2) Refers to the PD and LGD associated with each obligor grade, weighted by EAD.
(3) Number of obligors refers to the number of counterparties.
(4) Refers to the effective maturity of the exposures to the obligor in years, weighted by EAD.
Represents amounts of less than $0.5 million.

12.5 COUNTERPARTY CREDIT RISK EXPOSURES UNDER ADVANCED INTERNAL RATINGS-BASED APPROACH ("A-IRBA")

The table below represents the parameters used in the calculation of capital for the Group's portfolio, which are subjected to the CCR requirements under the A-IRBA by asset classes.

CCR exposures reported under Corporate asset class is largely attributable to the Margin Lending portfolio booked in Bank of Singapore. There was no CCR exposure within the other prescribed asset classes (Sovereign, Banks and Corporate Small Business) under A-IRBA as at 31 December 2017.

Bank	(a) EAD [1] (S$ million)	(b) Average PD [2] (%)	(c) Number of Obligors [3]	(d) Average LGD [2] (%)	(e) Average Maturity [4] (In years)	(f) RWA (S$ million)	(g) RWA Density [5] (%)
PD Range							
0.00 to < 0.15	9	0.05%	161	7%		#	2%
0.15 to < 0.25	16	0.20%	224	7%		1	6%
0.25 to < 0.50	–	–	–	–		–	NA
0.50 to < 0.75	20	0.50%	248	7%		2	8%
0.75 to < 2.50	12	1.61%	273	7%		2	16%
2.50 to < 10.00	70	5.00%	613	26%		57	81%
10.00 to < 100.00	119	12.93%	1,264	20%		106	90%
100.00 (Default)	–	–	–	–		–	NA
Sub-total	**246**	**7.79%**	**2,783**	**19%**	**1.1**	**168**	**68%**
Total (all portfolios)	**246**	**7.79%**	**2,783**	**19%**	**1.1**	**168**	**68%**

(1) EAD refers to the amount relevant for capital requirements calculation, after taking into account the effects of CRM.
(2) Refers to the PD and LGD associated with each obligor grade, weighted by EAD.
(3) Number of obligors refers to the number of accounts.
(4) Refers to the maturity of the exposures to the obligor in years, weighted by EAD; For Corporate asset class, average maturity is 1.1 years at the overall level and is between 0.6 to 2 years across the PD ranges.
(5) Total RWA divided by the exposures post-CRM.
Represents amounts of less than $0.5 million.

12.6 CREDIT DERIVATIVE EXPOSURES

The table below presents the Group's exposure to credit derivatives by those bought or sold.

The decrease in notional for credit derivatives during the second half of 2017 was mainly driven by lower single-name credit default swaps and index credit default swaps.

	S$ million	(a) Protection Bought	(b) Protection Sold
	Notional		
1	Single-name credit default swaps	3,996	3,226
2	Index credit default swaps	1,170	1,110
3	Other credit derivatives	309	113
4	**Total notional**	**5,475**	**4,449**
	Fair values		
5	Positive fair value (asset)	5	62
6	Negative fair value (liability)	62	6

13. SECURITISATION EXPOSURES

There is no securitisation and re-securitisation exposure in the banking and trading books as at 31 December 2017.

14. MARKET RISK

14.1 MARKET RISK TYPE UNDER STANDARDISED APPROACH

During the second half of 2017, the increase in Market Risk RWA was driven mainly by higher Interest Rate and Foreign Exchange risk as a result of enhancements in methodology in the calculation of Market Risk.

	Market Risk by Standardised Approach S$ million	(a) RWA
	Notional	
1	Interest rate risk (general and specific)	8,840
2	Equity risk (general and specific)	508
3	Foreign exchange risk	6,249
4	Commodity risk	16
	Options	
5	Simplified approach	–
6	Delta-plus method	493
7	Scenario approach	24
8	Securitisation	–
9	**Total**	**16,130**

There is no Market Risk exposure under Internal Model Approach as at 31 December 2017.

15. INTEREST RATE RISK IN THE BANKING BOOK

Qualitative disclosures related to Interest Rate Risk in the Banking Book, including a description of its nature and key assumptions made by the Group, can be found in the Risk Management chapter and Notes to the Financial Statements of the 2017 Annual Report.

Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $436 million, or approximately +8.0% of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $446 million in net interest income, or approximately -8.2% of reported net interest income.

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

16. QUALITATIVE DISCLOSURES

The locations of the annual qualitative disclosures are outlined in the table below.

AS PER MAS NOTICE 637, PART XI: OVERVIEW OF RISK MANAGEMENT	REPORTED IN [1]		
	RISK MANAGEMENT CHAPTER	OTHER LOCATIONS IN ANNUAL REPORT	PILLAR 3 DISCLOSURES
1 Risk Management Approach	a. Risk Management in OCBC Group b. Risk Governance and Organisation c. Basel Requirements d. Credit Risk Management Oversight and Organisation e. Market Risk Measurements f. Risk Monitoring and Control g. Liquidity Risk h. Interest Rate Risk i. Structural Foreign Exchange Risk j. Other Risks k. Legal and Regulatory Risk Management	Corporate Governance Chapter: a. The Board's Conduct of Affairs b. Internal Audit c. Risk Management and Internal Controls d. Risk Management Committee e. Ethical Standards Capital Management Chapter: a. Capital Monitoring and Planning	
CREDIT RISK			
2 General Qualitative Disclosures on Credit Risk	a. Credit Risk Management b. Credit Risk Management Oversight and Organisation c. Credit Risk Management Approach d. Legal and Regulatory Risk Management		
3 Overview of Credit Quality of Assets	a. Remedial Management	Notes to Financial Statements: Note 2.12 Impairment of Assets Note 39.2 Total loans and advances – Credit quality Note 39.2 Loans past due but not impaired	
4 Qualitative Disclosures on Credit Risk Mitigation ("CRM") Techniques	a. Credit Risk Mitigation b. Managing Credit Risk Concentrations	Notes to Financial Statements: Note 39.2 Collateral Note 42 Offsetting Financial Assets and Financial Liabilities	
5 Use of external credit ratings under the Standardised Approach	a. Standardised Approach for Other Portfolios		
6 Qualitative Disclosures for Internal Ratings Based Approach ("IRB-A") Models	a. Internal Credit Rating Models b. A-IRB for Major Consumer, Margin Lending and Small Business Lending Portfolios c. F-IRB for Major Wholesale Portfolios		
COUNTERPARTY CREDIT RISK ("CCR")			
7 Qualitative Disclosures Related to Counterparty Credit Risk ("CCR")	a. Credit Risk from Investment and Trading Activities b. Credit Risk Mitigation		

AS PER MAS NOTICE 637, PART XI: OVERVIEW OF RISK MANAGEMENT	REPORTED IN [1]		
	RISK MANAGEMENT CHAPTER	OTHER LOCATIONS IN ANNUAL REPORT	PILLAR 3 DISCLOSURES
SECURITISATION			
8 Qualitative disclosure related to securitisation exposures	a. Credit Risk from Securitisation b. IRB Approach for Securitisation Exposures		
MARKET RISK			
9 Qualitative Disclosures related to Market Risk	a. Market Risk Management b. Market Risk Management Oversight and Organization c. Market Risk Management Approach d. Market Risk Identification e. Market Risk Measurements f. Risk Monitoring and Control		
10 Qualitative Disclosures related to related to Internal Models Approach ("IMA") [2]			
OPERATIONAL RISK			
11 Qualitative Disclosures related to Operational Risk	a. Operational Risk Management b. Operational Risk Management Oversight and Organisation c. Operational Risk Management Approach d. Basel Requirements		
INTEREST RATE RISK IN THE BANKING BOOK			
12 Qualitative Disclosures related to Interest Rate Risk in the Banking Book	a. Risk Governance and Organisation b. Asset Liability Management Oversight and Organisation c. Interest Rate Risk	Notes to Financial Statements: Note 39.3 Market Risk and Asset Liability Management - Interest Rate Risk	a. Interest Rate Risk in the Banking Book
REMUNERATION			
13 Qualitative Disclosures related to Remuneration		Corporate Governance Chapter: a. Remuneration Committee b. Level and Mix of Remuneration c. Share Schemes d. Remuneration Disclosure for Senior Management and Material Risk Takers e. Related Party Transactions f. Ethical Standards	
OTHERS			
14 Overview of Disclosure Policy	a. Basel Requirements		
15 Attestation Statement [3]			See Note 3

(1) Listed by sections in the 2017 Annual Report.
(2) There are no Market Risk exposures under Internal Models Approach ("IMA").
(3) Attestation Statement is enclosed as part of year-end Pillar 3 disclosures.

PILLAR 3 DISCLOSURES

(OCBC Group – As at 31 December 2017)

ATTESTATION STATEMENT PURSUANT TO MONETARY AUTHORITY OF SINGAPORE (“MAS”) NOTICE 637 ON RISK BASED CAPITAL ADEQUACY REQUIREMENTS - DISCLOSURE REQUIREMENTS (PILLAR 3)

On behalf of the Board of Directors (“Board”), we are satisfied that the disclosures in this report have been prepared in accordance with the internal control processes approved by the Board for public disclosures.

Darren Tan
Chief Financial Officer

14 February 2018

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

(OCBC Group – As at 31 December 2017)

OVERVIEW

	2017	2016	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**5,423**	5,052	7
Non-interest income	**4,213**	3,437	23
Total income	**9,636**	8,489	14
Operating expenses	**(4,034)**	(3,788)	6
Operating profit before allowances and amortisation	**5,602**	4,701	19
Amortisation of intangible assets	**(104)**	(96)	8
Allowances for loans and impairment of other assets	**(671)**	(726)	(7)
Operating profit after allowances and amortisation	**4,827**	3,879	24
Share of results of associates	**389**	396	(2)
Profit before income tax	**5,216**	4,275	22
Net profit attributable to shareholders	**4,146**	3,473	19
Cash basis net profit attributable to shareholders [1]	**4,250**	3,569	19
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**37,509**	35,507	6
Total equity (excluding non-controlling interests)	**39,008**	37,007	5
Total assets	**454,938**	409,884	11
Assets excluding life assurance fund investment assets	**381,011**	347,911	10
Loans and bills receivable (net of allowances)	**234,141**	216,830	8
Deposits of non-bank customers	**283,642**	261,486	8
Per Ordinary Share			
Basic earnings (cents) [2]	**97.6**	82.2	
Basic earnings – Cash basis (cents) [2]	**100.0**	84.5	
Diluted earnings (cents) [2]	**97.4**	82.2	
Net asset value – Before valuation surplus (S$)	**8.96**	8.49	
Net asset value – After valuation surplus (S$)	**11.33**	10.03	
Key Financial Ratios (%)			
Return on equity [2][3]	**11.2**	10.0	
Return on equity – Cash basis [2][3]	**11.5**	10.3	
Return on assets [4]	**1.14**	1.03	
Return on assets – Cash basis [4]	**1.17**	1.06	
Net interest margin	**1.65**	1.67	
Non-interest income to total income	**43.7**	40.5	
Cost-to-income	**41.9**	44.6	
Loans-to-deposits	**82.5**	82.9	
Non-performing loans ratio	**1.5**	1.3	
Total capital adequacy ratio [5]	**17.2**	17.1	
Tier 1 capital adequacy ratio [5]	**14.9**	15.1	
Common Equity Tier 1 capital adequacy ratio [5]	**13.9**	14.7	
Leverage ratio [6]	**7.3**	8.2	
Singapore dollar liquidity coverage ratio [7]	**262**	272	
All-currency liquidity coverage ratio [7]	**148**	132	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on net profit less preference dividends and distributions on other equity instruments paid and estimated to be due at the end of the financial year.
(3) Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
(5) Capital adequacy ratios are computed based on Basel III transitional arrangements.
(6) Leverage ratio is computed based on the revised MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore.
(7) Liquidity coverage ratios (LCR) are computed based on MAS Notice 649 on Minimum Liquid Assets and Liquidity Coverage Ratio, and is reported based on the average LCR for the respective financial years.

Amounts less than S$0.5 million are shown as “0”.

OVERVIEW (continued)

The Group reported a net profit after tax of S$4.15 billion for the financial year ended 31 December 2017, an increase of 19% from S$3.47 billion a year ago. This is the first time OCBC Bank's reported net profit surpassed the S$4 billion mark. The strong performance was driven by sustained growth momentum across the Group's three business pillars: banking, wealth management and insurance businesses.

Total income rose 14% over the prior year to exceed S$9.6 billion.

The Group's full year net interest income rose 7% from the previous year to S$5.42 billion on the back of strong asset growth. As at 31 December 2017, customer loans increased 8% to S$237 billion, underpinned by broad-based growth across key customer and geographical segments. Full year net interest margin (NIM) of 1.65% declined 2 basis points from 1.67% a year ago, as lower loan yields more than offset higher gapping income from money market activities. Nevertheless, NIM had been rising for each consecutive quarter in 2017.

Non-interest income increased 23% to S$4.21 billion from S$3.44 billion a year ago. Fee and commission income climbed 19% to S$1.95 billion, lifted by a 45% increase in wealth management fee income. Investment banking, fund management and trade-related fees were also higher year-on-year. Net trading income, mainly comprising treasury-related income from customer flows, was S$515 million as compared to S$529 million a year ago, while net gains from the sale of investment securities more than doubled to S$431 million. Profit from life assurance of S$877 million was considerably higher than S$499 million in 2016, as Great Eastern Holdings achieved strong underlying business growth and higher investment income from realised gains and favourable market conditions.

Operating expenses of S$4.03 billion were 6% above the previous year, mainly attributed to higher staff costs and a rise in expenses to support the Group's business expansion. This included the full year cost impact from the consolidation of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong, which was acquired in November 2016. The Group's cost-to-income ratio improved to 41.9% from 44.6% in 2016. Net allowances for loans and other assets were S$671 million, 7% lower as compared to S$726 million a year ago.

The Group's share of results of associates for 2017 was S$389 million as compared to S$396 million the previous year.

The Group's return on equity rose to 11.2% from 10.0% a year ago, while earnings per share increased to 97.6 cents from 82.2 cents.

Allowances and Asset Quality

Total net allowances for loans and other assets were 7% lower at S$671 million, as compared to S$726 million a year ago.

Despite the rise in oil prices reported towards the end of 2017, the charter rates and asset values of the offshore support services and vessels (OSV) in the oil and gas industry continued to be depressed. Given the prolonged uncertainty and the lack of firm visibility in the OSV sector, the Group took a prudent stance to further downgrade its OSV exposures and made appropriate allowances. These significantly accounted for both the rise in non-performing loans (NPLs) from S$2.78 billion a year ago to S$3.42 billion, and the majority of the S$1.41 billion in specific allowances made during the year. In the fourth quarter of 2017, the Group applied S$887 million of cumulative portfolio allowances to cater for additional specific allowances. The Group continued to maintain portfolio allowances at the prudent level of S$1.42 billion, which were sufficient to meet existing regulatory obligations. As at 31 December 2017, total allowances represented 313% of unsecured non-performing assets.

Apart from the OSV sector, the rest of the Group's loan portfolio remained sound. The overall NPL ratio remained low at 1.45%, being 0.19 percentage points higher than 1.26% a year ago.

From 1 January 2018, the Group is able to comply with the requirements of "Singapore Financial Reporting Standard (International) (SFRS(I)) 9: Financial Instruments" and the revised MAS 612 with the current level of total allowances. The Group will make the necessary disclosures from its first quarter 2018 results onwards.

OVERVIEW (continued)

Funding, Liquidity and Capital Position

The Group's funding, liquidity and capital position continued to be resilient. Customer loans of S$237 billion were up 8% from S$220 billion the previous year, driven by growth across the corporate and consumer segments. Customer deposits rose 8% to S$284 billion, underpinned by 4% growth in current account and savings account (CASA) deposits, which made up 49.2% of total deposits. As at 31 December 2017, the loans-to-deposits ratio was 82.5%, relatively unchanged from 82.9% a year ago.

The Group's average Singapore dollar and all-currency liquidity coverage ratios (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon which will be included in due course) were 262% and 148% respectively for 2017, well above the respective regulatory ratios of 100% and 80%.

The Group's Common Equity Tier 1 (CET1) capital adequacy ratio (CAR), Tier 1 CAR and Total CAR as at 31 December 2017 were 13.9%, 14.9% and 17.2% respectively. Based on Basel III transitional arrangements, these ratios remained well above the respective regulatory minima of 6.5%, 8% and 10%. The Group's CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, improved to 13.1% from 12.4% in the previous year. In addition to these minimum capital requirements, a Capital Conservation Buffer (CCB) of 2.5% and Countercyclical Buffer of up to 2.5% are being phased in from 2016 to 2019. The CCB was 1.25% as at 1 January 2017, and would be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.3% was above the 3% minimum regulatory requirement.

Subsidiaries' Full Year Results

Great Eastern Holdings achieved a net profit after tax of S$1.16 billion for the year, significantly above S$589 million in 2016. Its robust year-on-year performance was driven by higher operating profit from its insurance business and strong performance in its investment portfolio as a result of favourable market conditions. Total weighted new sales and new business embedded value grew 23% and 17% respectively from a year ago. Great Eastern Holdings' contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, rose from S$470 million to S$968 million, contributing 23% of the Group's earnings.

OCBC Bank Malaysia reported a 17% rise in 2017 net profit after tax of RM949 million (S$305 million), underpinned by a rise in net interest income and non-interest income, and from a decline in allowances. As at 31 December 2017, customer loans were RM68 billion (S$22 billion) while customer deposits were RM74 billion (S$24 billion). Asset quality remained healthy, with the NPL ratio down at 2.1% from 2.2% a year ago.

Bank OCBC NISP's net profit after tax rose 22% to IDR2,176 billion (S$224 million), driven by broad-based income growth which more than offset a rise in operating expenses. Customer loans were up 14% over the previous year at IDR106 trillion (S$10 billion), while the NPL ratio was lower at 1.8%. As at 31 December 2017, customer deposits of IDR113 trillion (S$11 billion) were 10% higher than a year ago.

OCBC Wing Hang's full year net profit after tax was 18% higher at HK$2.41 billion (S$425 million), driven by increases in both net interest and non-interest income. Customer loans rose 11% to HK$180 billion (S$31 billion) and the NPL ratio improved to 0.5% from 0.9% a year ago, while deposits increased 15% to HK$222 billion (S$38 billion).

Bank of Singapore's assets under management as at 31 December 2017 increased 25% to US$99 billion (S$132 billion) from US$79 billion (S$115 billion) a year ago, driven by sustained net new money inflows and improved market valuations. Its earnings asset base, which included secured loans, likewise rose 25% to US$121 billion (S$161 billion) from US$97 billion (S$140 billion) the previous year.

The Group's 2017 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 43% to a new high of S$3.25 billion. As a proportion of the Group's total income, wealth management income contributed 34%, as compared to 27% in 2016.

Final Dividend

The Board has proposed a final tax-exempt dividend of 19 cents per share, an increase from 18 cents per share the previous year, bringing the 2017 total dividend to 37 cents per share, up from 36 cents in 2016. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total dividend payout will amount to S$1.55 billion, an increase of 2.86% over the prior year and representing 37% of the Group's net profit in 2017.

NET INTEREST INCOME

Average Balance Sheet

	2017			2016		
	Average Balance S$ million	Interest S$ million	Average Rate %	Average Balance S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**225,150**	**6,845**	**3.04**	206,622	6,527	3.16
Placements with and loans to banks	**54,616**	**1,090**	**2.00**	50,596	772	1.52
Other interest earning assets	**49,026**	**1,183**	**2.41**	45,631	1,069	2.34
Total	**328,792**	**9,118**	**2.77**	302,849	8,368	2.76
Interest bearing liabilities						
Deposits of non-bank customers	**268,235**	**2,960**	**1.10**	247,818	2,723	1.10
Deposits and balances of banks	**11,065**	**142**	**1.28**	13,252	124	0.94
Other borrowings	**28,884**	**593**	**2.05**	21,678	469	2.16
Total	**308,184**	**3,695**	**1.20**	282,748	3,316	1.17
Net interest income/margin (1)		**5,423**	**1.65**		5,052	1.67

Net interest income rose 7% to S$5.42 billion in 2017 from S$5.05 billion a year ago, driven by strong asset growth. The 2 basis points decline in net interest margin to 1.65%, from 1.67% in 2016 was mainly attributable to lower loan yields which more than offset higher gapping income from money market activities.

Volume and Rate Analysis

Increase/(decrease) for 2017 over 2016 due to change in:	Volume S$ million	Rate S$ million	Net Change S$ million
Interest income			
Loans and advances to non-bank customers	584	(248)	336
Placements with and loans to banks	61	260	321
Other interest earning assets	79	37	116
Total	724	49	773
Interest expense			
Deposits of non-bank customers	224	21	245
Deposits and balances of banks	(20)	38	18
Other borrowings	155	(30)	125
Total	359	29	388
Impact on net interest income	365	20	385
Due to change in numbers of days			(14)
Net interest income			371

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

NON-INTEREST INCOME

	2017 S$ million	2016 S$ million	+/(-) %
Fees and commissions			
Brokerage	**72**	65	11
Wealth management	**852**	588	45
Fund management	**108**	99	10
Credit card	**161**	159	1
Loan-related	**292**	304	(4)
Trade-related and remittances	**217**	209	4
Guarantees	**19**	20	(4)
Investment banking	**94**	63	50
Service charges	**101**	95	5
Others	**37**	36	1
Sub-total	**1,953**	1,638	19
Dividends	**76**	101	(25)
Rental income	**83**	91	(8)
Profit from life assurance	**877**	499	76
Premium income from general insurance	**150**	150	–
Other income			
Net trading income	**515**	529	(3)
Net gain from investment securities	**431**	198	118
Net gain/(loss) from disposal of subsidiaries and associates	**33**	(18)	279
Net gain from disposal of properties	**57**	161	(65)
Others	**38**	88	(57)
Sub-total	**1,074**	958	12
Total non-interest income	**4,213**	3,437	23
Fees and commissions to total income ratio	**20.3%**	19.3%	
Non-interest income to total income ratio	**43.7%**	40.5%	

Non-interest income was 23% higher at S$4.21 billion for 2017 as compared with S$3.44 billion a year ago.

Fee and commission income rose 19% to S$1.95 billion. This was largely driven by a 45% increase in wealth management fee income. Investment banking, fund management and trade-related fees were also higher year-on-year. Net trading income, primarily treasury-related income from customer flows, was S$515 million, a decline of 3% from S$529 million. Net realised gains from the sale of investment securities were S$431 million as compared to S$198 million a year ago, while net gains from the sale of properties of S$57 million were lower from S$161 million in 2016. Profit from life assurance was 76% higher at S$877 million as compared to S$499 million, achieved through Great Eastern Holdings' strong underlying business growth and higher investment income from realised gains due to favourable market conditions.

OPERATING EXPENSES

	2017 S$ million	2016 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**2,236**	2,128	5
Share-based expenses	**55**	51	8
Contribution to defined contribution plans	**180**	168	7
	2,471	2,347	5
Property and equipment			
Depreciation	**315**	308	2
Maintenance and hire of property, plant & equipment	**121**	117	3
Rental expenses	**99**	100	(2)
Others	**258**	238	9
	793	763	4
Other operating expenses	**770**	678	14
Total operating expenses	**4,034**	3,788	6
Group staff strength			
Period end	**29,174**	29,792	(2)
Average	**29,401**	30,037	(2)
Cost-to-income ratio	**41.9%**	44.6%	

Operating expenses grew 6% to S$4.03 billion in 2017, an increase from S$3.79 billion a year ago, largely from higher staff costs and a rise in expenses associated with the growth in business volumes. This included the full year cost impact from the consolidation of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong acquired in November 2016.

The cost-to-income ratio was lower at 41.9% in 2017, an improvement as compared to 44.6% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2017 S$ million	2016 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**486**	208	133
Malaysia	**297**	72	312
Greater China	**84**	47	82
Others	**540**	157	243
	1,407	484	191
(Write-back)/portfolio allowances for loans	**(786)**	172	(558)
Allowances and impairment charges for other assets	**50**	70	(28)
Allowances for loans and impairment for other assets	**671**	726	(7)

Allowances for loans and other assets were S$671 million in 2017, lower as compared to S$726 million a year ago.

Specific allowances for loans, net of recoveries and write-backs were S$1.41 billion for the year, higher as compared to S$484 million in 2016. The increase was mainly attributable to allowances made for exposures to the offshore support services and vessels sector which continued to be under stress. In the fourth quarter of 2017, the Group applied S$887 million of cumulative portfolio allowances to cater for additional specific allowances. The Group continued to maintain portfolio allowances at the prudent level of S$1.42 billion, which were sufficient to meet existing regulatory obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

(OCBC Group – As at 31 December 2017)

LOANS AND ADVANCES

	2017 S$ million	2016 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**8,073**	8,974	(10)
Manufacturing	**12,501**	12,697	(2)
Building and construction	**35,436**	35,632	(1)
Housing loans	**64,542**	60,149	7
General commerce	**29,010**	25,348	14
Transport, storage and communication	**11,568**	11,520	–
Financial institutions, investment and holding companies	**37,838**	30,491	24
Professionals and individuals	**28,704**	26,396	9
Others	**9,649**	8,945	8
	237,321	220,152	8
By Currency			
Singapore Dollar	**85,485**	81,260	5
United States Dollar	**61,445**	56,576	9
Malaysian Ringgit	**20,481**	20,552	–
Indonesian Rupiah	**7,795**	7,486	4
Hong Kong Dollar	**33,011**	30,339	9
Chinese Renminbi	**4,626**	5,182	(11)
Others	**24,478**	18,757	31
	237,321	220,152	8
By Geography [1]			
Singapore	**99,872**	93,580	7
Malaysia	**28,231**	27,948	1
Indonesia	**19,259**	18,138	6
Greater China	**59,114**	53,997	9
Other Asia Pacific	**12,754**	11,988	6
Rest of the World	**18,091**	14,501	25
	237,321	220,152	8

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

Gross loans to customers were S$237 billion as at 31 December 2017, an increase of 8% from S$220 billion in the previous year. In constant currency terms, customer loans grew 11% year-on-year. By industry, loan growth was broad-based across key customer segments and geographies, with the largest increase coming from financial institutions, investment and holding companies and housing loans.

NON-PERFORMING ASSETS

	Total NPAs[1] S$ million	Substandard S$ million	Doubtful S$ million	Loss S$ million	Secured NPAs/ Total NPAs %	NPLs[2] S$ million	NPL Ratio[2] %
Singapore							
31 Dec 2017	**1,132**	**772**	**212**	**148**	**73.1**	**1,086**	**1.1**
31 Dec 2016	800	404	248	148	68.3	745	0.8
Malaysia							
31 Dec 2017	**862**	**485**	**335**	**42**	**77.4**	**857**	**3.0**
31 Dec 2016	610	485	81	44	79.5	607	2.2
Indonesia							
31 Dec 2017	**589**	**399**	**29**	**161**	**73.4**	**588**	**3.1**
31 Dec 2016	691	433	120	138	67.0	689	3.8
Greater China							
31 Dec 2017	**232**	**74**	**110**	**48**	**54.4**	**232**	**0.4**
31 Dec 2016	389	219	114	56	40.2	354	0.7
Other Asia Pacific							
31 Dec 2017	**252**	**223**	**29**	**–**	**68.7**	**252**	**2.0**
31 Dec 2016	326	301	25	–	67.6	326	2.7
Rest of the World							
31 Dec 2017	**401**	**386**	**13**	**2**	**97.3**	**400**	**2.2**
31 Dec 2016	70	60	9	1	88.5	62	0.4
Group							
31 Dec 2017	**3,468**	**2,339**	**728**	**401**	**75.5**	**3,415**	**1.5**
31 Dec 2016	2,886	1,902	597	387	67.0	2,783	1.3

(1) Comprise non-bank loans, debt securities and contingent liabilities.
(2) Exclude debt securities and contingent liabilities.

Non-performing assets (NPAs) were S$3.47 billion as at 31 December 2017, and represented a 20% increase from S$2.89 billion a year ago. The year-on-year increase in NPAs was mainly due to the downgrade of exposures related to the offshore support services and vessels sector where operating conditions remained challenged.

The Group's NPL ratio was 1.45%, an increase from 1.26% a year ago. Of the total NPAs, 67% were in the substandard category and 76% were secured by collateral.

NON-PERFORMING ASSETS (continued)

	2017		2016	
	S$ million	% of Gross Loans	S$ million	% of Gross Loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**305**	**3.8**	152	1.7
Manufacturing	**304**	**2.4**	254	2.0
Building and construction	**59**	**0.2**	94	0.3
Housing loans	**392**	**0.6**	406	0.7
General commerce	**291**	**1.0**	376	1.5
Transport, storage and communication	**1,277**	**11.0**	608	5.3
Financial institutions, investment and holding companies	**376**	**1.0**	435	1.4
Professionals and individuals	**146**	**0.5**	170	0.6
Others	**265**	**2.7**	288	3.2
Total NPLs	**3,415**	**1.5**	2,783	1.3
Classified debt securities	**35**		80	
Classified contingent liabilities	**18**		23	
Total NPAs	**3,468**		2,886	

	2017		2016	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**1,212**	**35**	1,528	53
Over 90 to 180 days	**257**	**8**	337	12
30 to 90 days	**313**	**9**	248	9
Less than 30 days	**48**	**1**	323	11
Not overdue	**1,638**	**47**	450	15
	3,468	**100**	2,886	100

CUMULATIVE ALLOWANCES FOR ASSETS

	Total Cumulative Allowances S$ million	Specific Allowances S$ million	Portfolio Allowances S$ million	Specific Allowances as % of Total NPAs %	Cumulative Allowances as % of Total NPAs %
Singapore					
31 Dec 2017	**764**	**320**	**444**	**28.2**	**67.4**
31 Dec 2016	1,082	235	847	29.4	135.2
Malaysia					
31 Dec 2017	**618**	**340**	**278**	**39.4**	**71.8**
31 Dec 2016	509	124	385	20.4	83.4
Indonesia					
31 Dec 2017	**416**	**232**	**184**	**39.4**	**70.7**
31 Dec 2016	461	173	288	25.0	66.7
Greater China					
31 Dec 2017	**428**	**61**	**367**	**26.5**	**184.8**
31 Dec 2016	610	89	521	23.0	156.9
Other Asia Pacific					
31 Dec 2017	**194**	**111**	**83**	**44.1**	**77.0**
31 Dec 2016	127	17	110	5.1	38.9
Rest of the World					
31 Dec 2017	**246**	**185**	**61**	**46.2**	**61.4**
31 Dec 2016	98	8	90	10.8	139.3
Group					
31 Dec 2017	**2,666**	**1,249**	**1,417**	**36.0**	**76.9**
31 Dec 2016	2,887	646	2,241	22.4	100.0

As at 31 December 2017, the Group's total cumulative allowances for assets were S$2.67 billion, comprising S$1.25 billion in specific allowances and S$1.42 billion in portfolio allowances. The coverage ratios as of 31 December 2017 comprised total cumulative allowances amounting to 313% of unsecured NPAs and 77% of total NPAs.

MANAGEMENT DISCUSSION AND ANALYSIS

(OCBC Group – As at 31 December 2017)

DEPOSITS

	2017 S$ million	2016 S$ million	+/(-) %
Deposits of non-bank customers	**283,642**	261,486	8
Deposits and balances of banks	**7,485**	10,740	(30)
Total deposits	**291,127**	272,226	7
Non-Bank Deposits By Product			
Fixed deposits	**118,078**	113,943	4
Savings deposits	**51,817**	48,240	7
Current account	**87,773**	85,411	3
Others	**25,974**	13,892	87
	283,642	261,486	8
Non-Bank Deposits By Currency			
Singapore Dollar	**97,665**	94,413	3
United States Dollar	**93,415**	80,402	16
Malaysian Ringgit	**22,364**	21,701	3
Indonesian Rupiah	**8,206**	7,563	8
Hong Kong Dollar	**28,640**	27,336	5
Chinese Renminbi	**7,551**	8,008	(6)
Others	**25,801**	22,063	17
	283,642	261,486	8
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**82.5%**	82.9%	

Non-bank customer deposits as at 31 December 2017 were S$284 billion, up 8% from a year ago. The ratio of current and savings deposits to total non-bank deposits was 49.2%, as compared to 51.1% a year ago. The Group's loans-to-deposits ratio was 82.5% as at 31 December 2017.

PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, OCBC Wing Hang and Insurance.

Operating Profit by Business Segment

	2017 S$ million	2016 S$ million	+/(-) %
Global Consumer/Private Banking	**1,230**	907	36
Global Corporate/Investment Banking	**1,420**	1,533	(7)
Global Treasury and Markets	**482**	445	8
OCBC Wing Hang	**370**	362	2
Insurance	**1,264**	662	91
Others	**61**	(30)	(297)
Operating profit after allowances and amortisation	**4,827**	3,879	24

PERFORMANCE BY BUSINESS SEGMENT (continued)

Global Consumer/Private Banking
Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Consumer/Private Banking's operating profit after allowances was S$1.23 billion in 2017, a year-on-year increase of 36%, driven by higher net interest income and fee income, partly offset by an increase in expenses.

Global Corporate/Investment Banking
Global Corporate/Investment Banking serves institutional 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 and custodian services. Investment Banking offers a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

Global Corporate/Investment Banking's operating profit after allowances was down 7% year-on-year to S$1.42 billion in 2017, mainly attributable to higher allowances. The increase in allowances was mainly attributable to specific allowances made for exposures to the offshore support services and vessels sector.

Global Treasury and Markets
Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Global Treasury's operating profit rose 8% to S$482 million in 2017. The higher year-on-year operating profit was driven by higher net interest income from money market activities, partly offset by a decline in net trading income.

OCBC Wing Hang
OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

OCBC Wing Hang's operating profit after allowances rose 2% to S$370 million in 2017, led by higher net interest income offset by lower trading income.

Insurance
The Group's insurance business, including its fund management activities, is undertaken by 87.9%-owned subsidiary Great Eastern Holdings and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances from Great Eastern Holdings rose 91% year-on-year to S$1.26 billion in 2017. The year-on-year increase was driven by robust underlying business growth and strong performance in its investment portfolio as a result of favourable market conditions.

After tax and non-controlling interests, Great Eastern Holdings' contribution to the Group's net profit was S$968 million in 2017, higher than S$470 million in 2016.

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

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2017		2016	
	S$ million	%	S$ million	%
Total income				
Singapore	**5,792**	**60**	4,908	58
Malaysia	**1,327**	**14**	1,314	15
Indonesia	**808**	**8**	731	8
Greater China	**1,326**	**14**	1,250	15
Other Asia Pacific	**162**	**2**	141	2
Rest of the World	**221**	**2**	145	2
	9,636	**100**	8,489	100
Profit before income tax				
Singapore	**2,878**	**55**	2,154	50
Malaysia	**705**	**14**	802	19
Indonesia	**449**	**8**	226	5
Greater China	**978**	**19**	934	22
Other Asia Pacific	**119**	**2**	84	2
Rest of the World	**87**	**2**	75	2
	5,216	**100**	4,275	100
Total assets				
Singapore	**257,558**	**57**	229,752	56
Malaysia	**62,914**	**14**	60,412	15
Indonesia	**15,378**	**3**	14,946	4
Greater China	**85,758**	**19**	75,563	18
Other Asia Pacific	**13,399**	**3**	12,007	3
Rest of the World	**19,931**	**4**	17,204	4
	454,938	**100**	409,884	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2017, Singapore accounted for 60% of total income and 55% of pre-tax profit, while Malaysia accounted for 14% of total income and 14% of pre-tax profit. Greater China accounted for 14% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S$2.88 billion in 2017, an increase from S$2.15 billion a year ago, driven by higher profit from life assurance and net interest income, which more than offset a rise in operating expenses. Malaysia's pre-tax profit was S$705 million, 12% lower from a year ago at S$802 million, mainly attributable to higher allowances. Pre-tax profit for Greater China was S$978 million, up from S$934 million in 2016, underpinned by net interest income and non-interest income growth.

CAPITAL ADEQUACY RATIOS

The Group remains strongly capitalised, with a Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) of 13.9%, and Tier 1 and Total CAR of 14.9% and 17.2% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2017. In addition to these minimum capital requirements, Capital Conservation Buffer (CCB) of 2.5% and Countercyclical Buffer (CCyB) of up to 2.5% are being phased in from 2016 to 2019. The CCB was 1.25% on 1 January 2017 and increases by 0.625% each year to reach 2.5% on 1 January 2019. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

The Group's CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, was 13.1%.

LEVERAGE RATIO

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 31 December 2017, the Group's leverage ratio of 7.3% was above the 3% minimum regulatory requirement.

LIQUIDITY COVERAGE RATIOS

For 2017, the average Singapore dollar (SGD) and all-currency liquidity coverage ratios (LCR) for the Group (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon which will be included in due course) were 262% and 148% respectively.

The Group continued to focus on acquiring stable deposits and to maintain a mix of High Quality Liquid Assets comprising mainly Level 1 central bank reserves and liquid sovereign bonds. The Asset & Liability Management Desk in Global Treasury manages the day-to-day liquidity needs of the Group, and is subject to liquidity limits and triggers that serve as risk control on the Group's liquidity exposure.

UNREALISED VALUATION SURPLUS

	2017 S$ million	2016 S$ million
Properties [1]	**4,010**	3,890
Equity securities [2]	**5,905**	2,557
Total	**9,915**	6,447

[1] Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end.

[2] Comprises mainly investments in quoted subsidiaries, a quoted associate and the investment in Hong Kong Life Insurance Limited (Hong Kong Life), which are valued based on their year-end market prices for quoted equities and the sale consideration for Hong Kong Life.

The Group's unrealised valuation surplus largely represents the difference between the carrying amounts and market values of its properties, investments in associates and quoted subsidiaries at the respective years. The carrying amounts of associates and quoted subsidiaries on the balance sheet are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation, and impairment, if any.

The valuation surplus as at 31 December 2017 was S$9.92 billion, 54% higher from S$6.45 billion as at 31 December 2016, mainly from higher market valuation from the Group's equity stake in Great Eastern Holdings.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present this statement to the members of the Bank together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 159 to 272 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, the financial performance 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, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of Singapore Financial Reporting Standard 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; 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.

DIRECTORS

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

Ooi Sang Kuang, Chairman
Samuel N. Tsien, Chief Executive Officer
Christina Hon Kwee Fong (Christina Ong)
Chua Kim Chiu (Appointed on 20 September 2017)
Lai Teck Poh
Lee Tih Shih
Quah Wee Ghee
Pramukti Surjaudaja
Tan Ngiap Joo
Wee Joo Yeow

Ooi Sang Kuang, Lai Teck Poh and Pramukti Surjaudaja will retire by rotation under Article 98 of the Constitution at the forthcoming annual general meeting of the Bank and, being eligible, will offer themselves for re-election thereat.

Chua Kim Chiu will retire under Article 104 of the Constitution at the forthcoming annual general meeting of the Bank and, being eligible, will offer himself for re-election thereat.

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 objects are, or one of whose objects 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 statement.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Direct interest		Deemed interest [1]	
	At 31.12.2017	At 1.1.2017/ Date of appointment	At 31.12.2017	At 1.1.2017/ Date of appointment
BANK				
Ordinary shares				
Ooi Sang Kuang	**32,366**	26,366	**–**	–
Samuel N. Tsien	**1,037,861**	762,471	**–**	–
Christina Hon Kwee Fong (Christina Ong)	**5,262**	–	**–**	–
Chua Kim Chiu	**–**	–	**–**	–
Lai Teck Poh	**920,944**	1,064,944	**–**	–
Lee Tih Shih	**10,526,908**	10,520,908	**–**	–
Quah Wee Ghee	**33,242**	27,242	**589**	589
Pramukti Surjaudaja	**56,440**	50,440	**–**	–
Tan Ngiap Joo	**1,293,913**	1,336,498	**–**	–
Wee Joo Yeow	**52,652**	46,652	**4,794**	4,794
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**5,341,162** [2]	5,060,601 [3]	**–**	–
Tan Ngiap Joo	**–**	51,415 [4]	**–**	–
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100**	2,100

(1) Ordinary shares/preference shares held by spouse.

(2) Comprises: (i) 4,624,417 options granted under the OCBC Share Option Scheme 2001; (ii) 7,602 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 709,143 unvested shares granted under the OCBC Deferred Share Plan.

(3) Comprises: (i) 4,314,802 options granted under the OCBC Share Option Scheme 2001; (ii) 7,775 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 738,024 unvested shares granted under the OCBC Deferred Share Plan.

(4) Comprises options granted under the OCBC Share Option Scheme 2001.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

None of the directors holding office at the end of the financial year had any direct or deemed interests in the 4.0% Class M non-cumulative non-convertible preference shares of the Bank. The 4.0% Class M non-cumulative non-convertible preference shares were fully redeemed by the Bank on 17 January 2018.

Save as disclosed above, no director holding office at the end of the financial year had any interest in shares in, or debentures of, the Bank or any of its related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2018.

SHARE-BASED COMPENSATION PLANS

The Bank's share-based compensation plans are administered by the Remuneration Committee, which comprises:

Wee Joo Yeow, Chairman
Christina Hon Kwee Fong (Christina Ong)
Ooi Sang Kuang
Quah Wee Ghee
Tan Ngiap Joo

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company. The disclosure requirement in Rule 852(1)(c) of the SGX Listing Manual relating to the grant of options to directors and employees of the parent company and its subsidiaries is not applicable to the Bank's share-based compensation plans.

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("2001 Scheme"), which was implemented in 2001, was extended for another 10 years from 2011 to 2021, with the approval of shareholders. Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in this scheme. The Bank will either issue new shares or transfer treasury shares to the participants upon the exercise of their options.

Particulars of Options 2007, 2007A, 2007B, 2008, 2009, 2010, 2011, 2012, 2012NED, 2013, 2013NED, 2014, 2014GK, 2015, 2015CT, 2015JL, 2016 and 2016A were set out in the Directors' Reports/Directors' Statements for the financial years ended 31 December 2007 to 2016.

During the financial year, pursuant to the 2001 Scheme, options to acquire 9,562,392 ordinary shares at S$9.598 per ordinary share were granted to 231 eligible executives of the Group ("2017 Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the date of grant. In addition, options to acquire 18,943 ordinary shares at S$11.378 per ordinary share and 5,673 ordinary shares at S$12.316 were also granted to two senior executives of the Bank during the financial year ("2017SL" and "2017DM"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the respective dates of grant.

SHARE-BASED COMPENSATION PLANS (continued)

(a) OCBC Share Option Scheme 2001 (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2017 are as follows:

					At 31.12.2017	
Options	**Exercise period**	**Acquisition price ($)**	**Options exercised**	**Treasury shares transferred**	**Outstanding**	**Exercisable**
2007	15.03.2008 to 13.03.2017	8.354	1,413,661	1,393,730	–	–
2007A	16.01.2008 to 14.01.2017	7.391	457,593	457,593	–	–
2007B	15.03.2008 to 13.03.2017	8.354	114,063	112,253	–	–
2008	15.03.2009 to 13.03.2018	7.313	564,556	562,005	751,685	751,685
2009	17.03.2010 to 15.03.2019	4.024	447,235	447,235	684,734	684,734
2010	16.03.2011 to 14.03.2020	8.521	972,555	972,555	768,709	768,709
2011	15.03.2012 to 13.03.2021	9.093	847,525	847,525	896,995	896,995
2012	15.03.2013 to 13.03.2022	8.556	1,407,654	1,400,324	1,730,598	1,730,598
2012NED	15.03.2013 to 13.03.2017	8.556	350,572	350,572	–	–
2013	15.03.2014 to 13.03.2023	10.018	2,431,485	2,405,834	4,732,495	4,732,495
2013NED	15.03.2014 to 13.03.2018	10.018	210,000	210,000	254,817	254,817
2014	15.03.2015 to 13.03.2024	9.169	2,245,014	2,229,212	3,220,695	3,220,695
2014GK	12.09.2015 to 10.09.2024	9.732	135,753	135,753	–	–
2015	16.03.2016 to 15.03.2025	10.378	862,290	850,995	5,637,328	3,433,520
2015CT	30.06.2016 to 29.06.2025	10.254	–	–	31,779	20,974
2015JL	16.11.2016 to 15.11.2025	9.030	9,849	9,849	19,999	9,849
2016	16.03.2017 to 15.03.2026	8.814	746,643	739,389	8,286,551	2,253,660
2016A	16.03.2017 to 15.03.2026	8.814	8,200	8,200	130,036	37,417
2017	23.03.2018 to 22.03.2027	9.598	–	–	9,413,925	–
2017SL	04.08.2018 to 03.08.2027	11.378	–	–	18,943	–
2017DM	29.12.2018 to 28.12.2027	12.316	–	–	5,673	–
			13,224,648	13,133,024	36,584,962	18,796,148

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan (“ESP Plan”), which was implemented in 2004, was extended for another 10 years from 2014 to 2024, with the approval of shareholders. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible to participate in the ESP Plan.

At an extraordinary general meeting held on 17 April 2009, alterations to the ESP Plan were approved to enable two (but not more than two) Offering Periods to be outstanding on any date. Since each Offering Period currently consists of a 24-month period, these alterations will enable the Bank to prescribe Offering Periods once every 12 months (instead of once every 24 months as was previously the case).

In June 2017, the Bank launched its twelfth offering under the ESP Plan, which commenced on 1 July 2017 and will expire on 30 June 2019. Under the twelfth offering, 6,056 employees enrolled to participate in the ESP Plan to acquire 7,580,663 ordinary shares at S$10.77 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date. Particulars of the first to eleventh offerings under the ESP Plan were set out in the Directors’ Reports/Directors’ Statements for the financial years ended 31 December 2004 to 2016. During the financial year, 6,302,173 ordinary shares were delivered to participants under the ESP Plan. As at the end of the financial year, (i) rights to acquire 7,507,262 ordinary shares at S$8.45 per ordinary share granted under the eleventh offering (which will expire on 30 June 2018), and (ii) rights to acquire 7,076,821 ordinary shares at S$10.77 per ordinary share granted under the twelfth offering (which will expire on 30 June 2019) remained outstanding. Further details on the ESP Plan can be found in Note 13.3 of the Notes to the Financial Statements.

SHARE-BASED COMPENSATION PLANS (continued)

Details of options granted under the 2001 Scheme and acquisition rights granted under the ESP Plan to directors of the Bank are as follows:

Name of director	Options/rights granted during the financial year ended 31.12.2017	Aggregate number of options/ rights granted since commencement of scheme/plan to 31.12.2017	Aggregate number of options exercised/rights converted since commencement of scheme/plan to 31.12.2017	Aggregate number of options/ rights outstanding at 31.12.2017 [1]
2001 Scheme				
Samuel N. Tsien	772,350	5,337,152	712,735	4,624,417
Tan Ngiap Joo	–	811,829	811,829	–
ESP Plan				
Samuel N. Tsien	3,342	39,584	24,006 [2]	7,602

(1) These details have already been disclosed in the section on "Directors' interests in shares or debentures" above.

(2) Excludes 4,114 rights and 3,862 rights which were not converted into shares upon expiry of the fifth offering and ninth offering respectively as the average market price at that time was lower than the acquisition price. This was in line with the terms and conditions of the ESP Plan.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2018.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee.

Awards over an aggregate of 5,761,209 ordinary shares (including awards over 220,000 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2017. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2016, and interim dividend for the financial year ended 31 December 2017, resulting in an additional 529,890 ordinary shares being subject to awards under the DSP (including an additional 22,994 ordinary shares being subject to awards held by a director of the Bank holding office as at the end of the financial year). During the financial year, 5,007,868 deferred shares were released to grantees, of which 271,875 deferred shares were released to a director of the Bank who held office as at the end of the financial year.

Except as disclosed above, there were no unissued shares of the Bank or its subsidiaries under options granted by the Bank or its subsidiaries as at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this statement are:

Chua Kim Chiu, Chairman (Appointed on 22 September 2017)
Christina Hon Kwee Fong (Christina Ong)
Lai Teck Poh
Tan Ngiap Joo (Chairman until 22 September 2017)

The Audit Committee performed the functions specified in the Act, the SGX Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2012. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and 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;
(b) the financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors; and
(c) the independence and objectivity of the external auditors.

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 is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors of the Bank at the forthcoming annual general meeting of the Bank.

AUDITORS

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

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
13 February 2018

INDEPENDENT AUDITORS' REPORT

To The Members Of Oversea-Chinese Banking Corporation Limited

Report on the audit of the financial statements
Opinion
We have audited the financial statements of Oversea-Chinese Banking Corporation Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Bank as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 159 to 272.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 consolidated financial position of the Group and the financial position of the Bank as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for opinion
We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and bills receivable (Refer to Notes 9, 26, 28 and 29 to the financial statements.)	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2017, the Group's loans and bills receivable comprised 51% of its total assets. The determination of impairment allowance required on loans and bills receivable is highly subjective due to judgement applied both in identifying impaired exposures and in estimating the related allowances. These estimates include amounts and timing of expected cash flows and collateral values. As a result of the significance of loans and bills receivable and the related estimation uncertainty, together with the heightened credit risk in certain industry sectors, the impairment of loans and bills receivable is considered a key audit risk. In 2017, the portfolio that gave rise to a significant degree of estimation uncertainty was the oil and gas sector portfolio. The extended low oil prices and the weak demand of oil and gas platforms and offshore vessels have impacted a number of borrowers in the portfolio. We were also focussed on other individually significant exposures that have become or were at risk of being impaired. These included credit exposures that were refinanced or restructured and non-performing loans.	We tested key controls in place over the credit approval, grading and monitoring of loans and bills receivable. We also tested the controls over the determination of impairment allowances for individually assessed loans and bills receivable. For a sample of exposures, we performed credit file reviews to test the appropriateness of credit grading, and collectibility of loans. We challenged the Group's assumptions of the expected future cash flows including the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and externally derived evidence. In view of the sustained downturn in the oil and gas sector, we scoped in additional loans in this sector for credit assessment. We recomputed management's calculation of portfolio allowances to ascertain that the Group's portfolio allowances were maintained in accordance with the requirements of MAS Notice 612. In our view, the impairment allowances were within an acceptable range of estimates.

Valuation of financial instruments held at fair value **(Refer to Notes 18, 22, 24, 25, 30 and 41 to the financial statements.)**	
The key audit matter	*How the matter was addressed in our audit*
The fair value of financial instruments is determined through the application of valuation models and the use of assumptions and estimates. Due to the significance of financial instruments to the Group and the related estimation uncertainty, this is considered a key audit focus area. These financial instruments include those held by Great Eastern Holdings Limited (GEH). GEH is audited by another firm of public accountants. Of the financial instruments that were carried at fair value in the Group's balance sheet as at 31 December 2017, the significant majority qualified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in the market or through models with market observable inputs, resulting in a lower valuation risk. The remaining financial instruments were classified as Level 3. These instruments comprised mainly unlisted debt and equity investments and derivatives. The valuation of these instruments involved the application of unobservable inputs such as cash flow forecasts, discount rates and volatility, amongst others. As such, there was greater estimation uncertainty in the determination of the fair value of these instruments.	We assessed the controls over the measurement of financial instruments at their fair values. These controls include independent price verification, governance over valuation models, model validation and management reporting of valuation risk. For a sample of financial instruments, we used our valuation specialists to assess that the valuation models were reasonable. For a selection of pricing inputs, we checked that the inputs used were appropriately sourced and accurately input into pricing models. Additionally, we priced a selection of the Group's derivative positions independently and compared the values to the Group's valuations. For a sample of Level 3 instruments, we assessed the appropriateness of the valuation methodology, and the reasonableness of key inputs and assumptions. We also considered alternative valuation methods and assessed sensitivities to key factors. In respect of the valuation of financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were reasonable. Overall, in our view, the values of the Group's financial instruments were within an acceptable range of estimates.

INDEPENDENT AUDITORS' REPORT

To The Members Of Oversea-Chinese Banking Corporation Limited

Valuation of insurance contract liabilities
(Refer to Notes 4, 22, 39 and 41 to the financial statements.)

The key audit matter	*How the matter was addressed in our audit*
The Group's insurance operations are entirely conducted through its subsidiary, Great Eastern Holdings Limited (GEH). The Group's insurance business comprises life and general insurance contracts. 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. The valuation of life insurance contract liabilities is dependent on the valuation method adopted and key assumptions such as prevailing interest rates of government securities and estimates of mortality, disability, dread disease, expenses, lapse and surrenders based on GEH's internal experience studies and publicly available data. The valuation of general insurance contract liabilities is dependent on estimates including the ultimate settlement cost of claims reported, and claims incurred but not yet reported. Changes in the assumptions used in calculation of the valuation could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement.	We planned, scoped and issued group audit instructions to GEH's auditors to obtain an independent auditors' report of the significant component. The scope of reporting included valuation of liabilities of the insurance business. We reviewed GEH's auditors' working papers and involved our actuarial specialists in our discussions with GEH's auditors. We independently assessed, through a review of procedures carried out by GEH's auditors, that the valuation methodologies and assumptions relating to the measurement and estimation of insurance contract liabilities were reasonable. Based on the reports from GEH's auditors and our review of GEH's auditors' working papers, we concluded that the valuation methods and assumptions used by the Group were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.

Impairment of goodwill
(Refer to Note 37 to the financial statements.)

The key audit matter	*How the matter was addressed in our audit*
At 31 December 2017, the Group's balance sheet included goodwill of $4.5 billion arising from a number of acquisitions. Goodwill is impaired if its carrying amount is not supported by the recoverable amount of the respective cash generating units (CGUs). The recoverable amounts are determined based on estimates that require significant judgement in application of methodologies, and assumptions. In respect of goodwill of banking CGUs amounting to $4.0 billion, the recoverable amounts were determined using the value-in-use method, based on estimated future cash flows for each CGU discounted at an appropriate discount rate. Significant management judgement included the expected future cash flows, the discount rate and terminal growth rate. In respect of the insurance CGU, the recoverable amount was estimated using the appraisal value method, based on the adjusted shareholders' funds and the expected future profits generated by the portfolio of the business in force at the valuation date and the capacity to generate future profitable new business. Significant assumptions used in the assessment of these values included the discount rate and the investment return rates.	We assessed the appropriateness of management's identification of the Group's CGUs. We involved our valuation specialists to assess the methodologies applied and assumptions used for determining recoverable amounts. For the banking CGUs, we assessed management's future cash flow projections for consistency with historical cash flows and business plans and investigated reasons for significant deviations. We challenged the key assumptions including discount rate and growth rate by comparing with external sources and economic metrics. We also reperformed calculations using the models. For the insurance CGU, we assessed management's assumptions on discount rates and investment returns through our review of GEH's auditors' working papers on valuation of insurance contracts. We also performed sensitivity analysis on the impact of change in key assumptions to the appraisal value. Based on the results of our test procedures, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.

Other information
Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for Our Well-diversified Business, Letter from Chairman and CEO, Our Year In Review, Sustainability Report, Corporate Governance, Management Discussion and Analysis and Ordinary/Preference Shareholding Statistics (the Reports), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

To The Members Of Oversea-Chinese Banking Corporation Limited

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In our opinion, 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.

The engagement partner on the audit resulting in this independent auditors' report is Leong Kok Keong.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2018

INCOME STATEMENTS

For the financial year ended 31 December 2017

	Note	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Interest income		**9,118,036**	8,368,226	**5,046,548**	4,388,005
Interest expense		**(3,694,914)**	(3,316,098)	**(2,169,170)**	(1,708,424)
Net interest income	3	**5,423,122**	5,052,128	**2,877,378**	2,679,581
Premium income		**12,117,323**	9,067,287	**–**	–
Investment income		**4,116,594**	2,359,344	**–**	–
Net claims, surrenders and annuities		**(5,339,253)**	(4,820,864)	**–**	–
Change in life assurance fund contract liabilities		**(8,107,704)**	(4,657,169)	**–**	–
Commission and others		**(1,910,788)**	(1,449,630)	**–**	–
Profit from life assurance	4	**876,172**	498,968	**–**	–
Premium income from general insurance		**149,753**	150,325	**–**	–
Fees and commissions (net)	5	**1,952,516**	1,638,288	**908,564**	821,159
Dividends	6	**76,383**	101,352	**559,053**	617,344
Rental income		**83,065**	90,455	**52,965**	57,792
Other income	7	**1,074,482**	957,777	**505,446**	490,512
Non-interest income		**4,212,371**	3,437,165	**2,026,028**	1,986,807
Total income		**9,635,493**	8,489,293	**4,903,406**	4,666,388
Staff costs		**(2,470,683)**	(2,346,597)	**(851,833)**	(812,837)
Other operating expenses		**(1,562,933)**	(1,441,931)	**(919,268)**	(848,098)
Total operating expenses	8	**(4,033,616)**	(3,788,528)	**(1,771,101)**	(1,660,935)
Operating profit before allowances and amortisation		**5,601,877**	4,700,765	**3,132,305**	3,005,453
Amortisation of intangible assets	37	**(103,829)**	(96,264)	**–**	–
Allowances for loans and impairment for other assets	9	**(671,548)**	(725,860)	**(708,255)**	(450,072)
Operating profit after allowances and amortisation		**4,826,500**	3,878,641	**2,424,050**	2,555,381
Share of results of associates		**389,221**	396,724	**–**	–
Profit before income tax		**5,215,721**	4,275,365	**2,424,050**	2,555,381
Income tax expense	10	**(802,945)**	(628,873)	**(331,727)**	(268,076)
Profit for the year		**4,412,776**	3,646,492	**2,092,323**	2,287,305
Attributable to:					
Equity holders of the Bank		**4,146,438**	3,473,092		
Non-controlling interests		**266,338**	173,400		
		4,412,776	3,646,492		
Earnings per share (cents)	11				
Basic		**97.6**	82.2		
Diluted		**97.4**	82.2		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Profit for the year		**4,412,776**	3,646,492	**2,092,323**	2,287,305
Other comprehensive income:					
Available-for-sale financial assets					
Gains for the year		**447,798**	118,204	**42,109**	60,542
Reclassification of (gains)/losses to income statement					
- on disposal		**(405,385)**	(198,126)	**(61,632)**	(98,007)
- on impairment		**50,389**	33,471	**21,888**	4,023
Tax on net movements	20	**(13,411)**	5,531	**1,543**	3,342
Cash flow hedges		**(76)**	–	**–**	–
Defined benefit plans remeasurements [1]		**(1,891)**	2,560	**(30)**	(25)
Currency translation on foreign operations		**(534,352)**	200,441	**(73,192)**	12,513
Other comprehensive income of associates		**(145,805)**	(136,022)	**–**	–
Total other comprehensive income, net of tax		**(602,733)**	26,059	**(69,314)**	(17,612)
Total comprehensive income for the year, net of tax		**3,810,043**	3,672,551	**2,023,009**	2,269,693
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,560,205**	3,477,230		
Non-controlling interests		**249,838**	195,321		
		3,810,043	3,672,551		

[1] Item that will not be reclassified to income statement.

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 2017

	Note	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13.1	**15,136,347**	15,106,818	**15,136,347**	15,106,818
Other equity instruments	13.5	**499,143**	499,143	**499,143**	499,143
Capital reserves	14	**361,443**	571,850	**98,794**	105,678
Fair value reserves		**119,648**	155,845	**11,536**	7,628
Revenue reserves	15	**22,892,107**	20,673,429	**13,016,975**	12,562,210
		39,008,688	37,007,085	**28,762,795**	28,281,477
Non-controlling interests	16	**2,767,728**	2,634,940	**–**	–
Total equity		**41,776,416**	39,642,025	**28,762,795**	28,281,477
LIABILITIES					
Deposits of non-bank customers	17	**283,642,169**	261,485,862	**178,146,088**	155,752,937
Deposits and balances of banks	17	**7,485,428**	10,739,590	**6,084,643**	9,090,295
Due to subsidiaries		**–**	–	**16,301,146**	16,288,469
Due to associates		**220,427**	205,805	**103,091**	127,470
Trading portfolio liabilities		**621,531**	597,699	**621,531**	580,499
Derivative payables	18	**6,453,975**	7,474,158	**4,988,635**	6,008,300
Other liabilities	19	**6,064,409**	5,590,629	**1,855,470**	1,747,020
Current tax		**1,101,974**	914,629	**440,072**	387,930
Deferred tax	20	**1,582,019**	1,324,607	**54,164**	51,111
Debt issued	21	**32,234,746**	19,947,379	**32,498,457**	19,531,523
		339,406,678	308,280,358	**241,093,297**	209,565,554
Life assurance fund liabilities	22	**73,755,243**	61,961,177	**–**	–
Total liabilities		**413,161,921**	370,241,535	**241,093,297**	209,565,554
Total equity and liabilities		**454,938,337**	409,883,560	**269,856,092**	237,847,031
ASSETS					
Cash and placements with central banks	23	**19,594,423**	16,559,463	**14,354,645**	11,364,749
Singapore government treasury bills and securities	24	**9,839,981**	8,065,895	**9,088,748**	7,702,246
Other government treasury bills and securities	24	**17,630,901**	16,298,540	**8,443,962**	7,164,636
Placements with and loans to banks	25	**49,377,355**	39,800,684	**34,755,842**	31,209,763
Loans and bills receivable	26–29	**234,141,458**	216,830,182	**143,516,487**	131,873,755
Debt and equity securities	30	**25,329,037**	23,156,669	**13,981,240**	11,612,196
Assets pledged	46.1	**1,055,539**	1,788,915	**741,352**	935,930
Assets held for sale	47	**38,559**	28,035	**1,590**	1,150
Derivative receivables	18	**6,385,941**	7,837,609	**5,117,121**	6,351,588
Other assets	31	**5,650,953**	4,889,298	**1,471,946**	1,591,121
Deferred tax	20	**173,770**	196,088	**64,626**	64,280
Associates	33	**2,351,624**	2,415,468	**482,823**	594,532
Subsidiaries	34	**–**	–	**34,823,916**	24,333,259
Property, plant and equipment	35	**3,332,119**	3,478,656	**614,363**	648,849
Investment property	36	**949,466**	1,092,918	**530,255**	531,801
Goodwill and intangible assets	37	**5,159,840**	5,472,846	**1,867,176**	1,867,176
		381,010,966	347,911,266	**269,856,092**	237,847,031
Life assurance fund investment assets	22	**73,927,371**	61,972,294	**–**	–
Total assets		**454,938,337**	409,883,560	**269,856,092**	237,847,031

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 2017

In $'000	Attributable to equity holders of the Bank Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**15,605,961**	**571,850**	**155,845**	**20,673,429**	**37,007,085**	**2,634,940**	**39,642,025**
Total comprehensive income for the year							
Profit for the year	**–**	**–**	**–**	**4,146,438**	**4,146,438**	**266,338**	**4,412,776**
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	402,245	–	402,245	45,553	447,798
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(366,172)	–	(366,172)	(39,213)	(405,385)
- on impairment	–	–	48,940	–	48,940	1,449	50,389
Tax on net movements	–	–	(11,684)	–	(11,684)	(1,727)	(13,411)
Cash flow hedges	–	–	–	(76)	(76)	–	(76)
Defined benefit plans remeasurements	–	–	–	(1,609)	(1,609)	(282)	(1,891)
Currency translation on foreign operations	–	–	–	(512,128)	(512,128)	(22,224)	(534,352)
Other comprehensive income of associates	–	–	(109,526)	(36,223)	(145,749)	(56)	(145,805)
Total other comprehensive income, net of tax	**–**	**–**	**(36,197)**	**(550,036)**	**(586,233)**	**(16,500)**	**(602,733)**
Total comprehensive income for the year	**–**	**–**	**(36,197)**	**3,596,402**	**3,560,205**	**249,838**	**3,810,043**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	21,691	(215,334)	–	193,643	–	–	–
Distributions for perpetual capital securities	–	–	–	(19,000)	(19,000)	–	(19,000)
Distributions and dividends to non-controlling interests	–	–	–	–	–	(107,201)	(107,201)
DSP reserve from dividends on unvested shares	–	–	–	5,894	5,894	–	5,894
Ordinary and preference dividends	–	–	–	(1,551,230)	(1,551,230)	–	(1,551,230)
Share-based staff costs capitalised	–	14,807	–	–	14,807	–	14,807
Share buyback held in treasury	(223,912)	–	–	–	(223,912)	–	(223,912)
Shares issued to non-executive directors	549	–	–	–	549	–	549
Shares transferred to DSP Trust	–	(5,895)	–	–	(5,895)	–	(5,895)
Shares vested under DSP Scheme	–	48,865	–	–	48,865	–	48,865
Treasury shares transferred/sold	231,201	(52,850)	–	–	178,351	–	178,351
Total contributions by and distributions to owners	**29,529**	**(210,407)**	**–**	**(1,370,693)**	**(1,551,571)**	**(107,201)**	**(1,658,772)**
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(7,031)	(7,031)	(9,849)	(16,880)
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**(7,031)**	**(7,031)**	**(9,849)**	**(16,880)**
Balance at 31 December 2017	**15,635,490**	**361,443**	**119,648**	**22,892,107**	**39,008,688**	**2,767,728**	**41,776,416**
Included:							
Share of reserves of associates	–	–	(74,740)	849,518	774,778	–	774,778

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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

In $'000	Attributable to equity holders of the Bank Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	15,059,510	526,910	234,357	18,732,172	34,552,949	2,557,862	37,110,811
Total comprehensive income for the year							
Profit for the year	–	–	–	3,473,092	3,473,092	173,400	3,646,492
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	110,548	–	110,548	7,656	118,204
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(189,012)	–	(189,012)	(9,114)	(198,126)
- on impairment	–	–	31,380	–	31,380	2,091	33,471
Tax on net movements	–	–	5,724	–	5,724	(193)	5,531
Defined benefit plans remeasurements	–	–	–	2,404	2,404	156	2,560
Currency translation on foreign operations	–	–	–	179,172	179,172	21,269	200,441
Other comprehensive income of associates	–	–	(37,152)	(98,926)	(136,078)	56	(136,022)
Total other comprehensive income, net of tax	–	–	(78,512)	82,650	4,138	21,921	26,059
Total comprehensive income for the year	–	–	(78,512)	3,555,742	3,477,230	195,321	3,672,551
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	4,091	57,585	–	(61,676)	–	–	–
Distributions for perpetual capital securities	–	–	–	(19,052)	(19,052)	–	(19,052)
Dividends to non-controlling interests	–	–	–	–	–	(108,926)	(108,926)
DSP reserve from dividends on unvested shares	–	–	–	5,630	5,630	–	5,630
Ordinary and preference dividends	–	–	–	(949,898)	(949,898)	–	(949,898)
Share-based staff costs capitalised	–	15,020	–	–	15,020	–	15,020
Share buyback held in treasury	(117,245)	–	–	–	(117,245)	–	(117,245)
Shares issued in-lieu of ordinary dividends	584,054	–	–	(584,054)	–	–	–
Shares issued to non-executive directors	535	–	–	–	535	–	535
Shares transferred to DSP Trust	–	(5,630)	–	–	(5,630)	–	(5,630)
Shares vested under DSP Scheme	–	42,736	–	–	42,736	–	42,736
Treasury shares transferred/sold	75,016	(64,771)	–	–	10,245	–	10,245
Total contributions by and distributions to owners	546,451	44,940	–	(1,609,050)	(1,017,659)	(108,926)	(1,126,585)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(5,435)	(5,435)	(9,317)	(14,752)
Total changes in ownership interests in subsidiaries	–	–	–	(5,435)	(5,435)	(9,317)	(14,752)
Balance at 31 December 2016	15,605,961	571,850	155,845	20,673,429	37,007,085	2,634,940	39,642,025
Included:							
Share of reserves of associates	–	–	34,787	778,240	813,027	(363)	812,664

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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 2017

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2017	**15,605,961**	**105,678**	**7,628**	**12,562,210**	**28,281,477**
Profit for the year	**–**	**–**	**–**	**2,092,323**	**2,092,323**
Other comprehensive income	**–**	**–**	**3,908**	**(73,222)**	**(69,314)**
Total comprehensive income for the year [1]	**–**	**–**	**3,908**	**2,019,101**	**2,023,009**
Transfers	**21,691**	**(21,691)**	**–**	**–**	**–**
Distributions for perpetual capital securities	**–**	**–**	**–**	**(19,000)**	**(19,000)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**5,894**	**5,894**
Ordinary and preference dividends	**–**	**–**	**–**	**(1,551,230)**	**(1,551,230)**
Share-based staff costs capitalised	**–**	**14,807**	**–**	**–**	**14,807**
Share buyback held in treasury	**(223,912)**	**–**	**–**	**–**	**(223,912)**
Shares issued to non-executive directors	**549**	**–**	**–**	**–**	**549**
Treasury shares transferred/sold	**231,201**	**–**	**–**	**–**	**231,201**
Balance at 31 December 2017	**15,635,490**	**98,794**	**11,536**	**13,016,975**	**28,762,795**
Balance at 1 January 2016	15,059,510	94,749	37,728	11,545,456	26,737,443
Profit for the year	–	–	–	2,287,305	2,287,305
Other comprehensive income	–	–	(30,100)	12,488	(17,612)
Total comprehensive income for the year [1]	–	–	(30,100)	2,299,793	2,269,693
Transfers	4,091	(4,091)	–	–	–
Arising from merger of subsidiaries	–	–	–	264,335	264,335
Distributions for perpetual capital securities	–	–	–	(19,052)	(19,052)
DSP reserve from dividends on unvested shares	–	–	–	5,630	5,630
Ordinary and preference dividends	–	–	–	(949,898)	(949,898)
Share-based staff costs capitalised	–	15,020	–	–	15,020
Share buyback held in treasury	(117,245)	–	–	–	(117,245)
Shares issued in-lieu of ordinary dividends	584,054	–	–	(584,054)	–
Shares issued to non-executive directors	535	–	–	–	535
Treasury shares transferred/sold	75,016	–	–	–	75,016
Balance at 31 December 2016	15,605,961	105,678	7,628	12,562,210	28,281,477

(1) Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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 2017

In $'000	2017	2016
Cash flows from operating activities		
Profit before income tax	**5,215,721**	4,275,365
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**671,548**	725,860
Amortisation of intangible assets	**103,829**	96,264
Change in hedging transactions, trading, fair value through profit or loss securities and debt issued	**29,963**	15,232
Depreciation of property, plant and equipment and investment property	**314,693**	308,119
Net gain on disposal of government, debt and equity securities	**(431,487)**	(198,126)
Net gain on disposal of property, plant and equipment and investment property	**(56,578)**	(159,559)
Net (gain)/loss on disposal of interests in subsidiaries and associates	**(32,985)**	18,478
Share-based costs	**55,954**	14,457
Share of results of associates	**(389,221)**	(396,724)
Items relating to life assurance fund		
Surplus before income tax	**1,360,725**	649,829
Surplus transferred from life assurance fund	**(876,172)**	(498,968)
Operating profit before change in operating assets and liabilities	**5,965,990**	4,850,227
Change in operating assets and liabilities:		
Deposits of non-bank customers	**19,701,967**	8,724,264
Deposits and balances of banks	**(3,254,162)**	(1,307,121)
Derivative payables and other liabilities	**(2,068,445)**	2,381,917
Trading portfolio liabilities	**23,832**	(46,986)
Restricted balances with central banks	**(376,892)**	(103,936)
Government securities and treasury bills	**(3,049,927)**	(3,474,389)
Trading and fair value through profit or loss securities	**(562,097)**	15,239
Placements with and loans to banks	**(9,223,392)**	(4,300,068)
Loans and bills receivable	**(15,916,703)**	(6,350,258)
Derivative receivables and other assets	**1,559,539**	(2,185,616)
Net change in investment assets and liabilities of life assurance fund	**(281,023)**	(170,976)
Cash used in operating activities	**(7,481,313)**	(1,967,703)
Income tax paid	**(680,982)**	(734,404)
Net cash used in operating activities	**(8,162,295)**	(2,702,107)
Cash flows from investing activities		
Acquisitions, net of cash acquired (Notes 34.4 and 34.5)	**396,392**	2,651,042
Dividends from associates	**63,068**	114,958
Decrease in associates	**43,472**	99,536
Purchases of debt and equity securities	**(21,307,237)**	(12,406,802)
Purchases of property, plant and equipment and investment property	**(263,339)**	(422,046)
Proceeds from disposal of debt and equity securities	**20,084,228**	12,543,815
Proceeds from disposal of interests in subsidiaries and associates	**61,595**	23,563
Proceeds from disposal of property, plant and equipment and investment property	**94,250**	196,894
Net cash (used in)/from investing activities	**(827,571)**	2,800,960
Cash flows from financing activities		
Acquisition of non-controlling interests	**(17,077)**	(14,752)
Distributions for perpetual securities	**(19,000)**	(19,052)
Distributions and dividends paid to non-controlling interests	**(107,201)**	(108,926)
Dividends paid to equity holders of the Bank	**(1,548,162)**	(949,898)
Net issuance/(redemption) of other debt issued (Note 21.6)	**15,242,983**	(3,554,954)
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**178,351**	10,245
Redemption of subordinated debt issued (Note 21.6)	**(1,521,099)**	(64,354)
Share buyback held in treasury	**(223,912)**	(117,245)
Net cash from/(used in) financing activities	**11,984,883**	(4,818,936)
Net currency translation adjustments	**(336,949)**	(4,286)
Net change in cash and cash equivalents	**2,658,068**	(4,724,369)
Cash and cash equivalents at 1 January	**11,176,529**	15,900,898
Cash and cash equivalents at 31 December (Note 23)	**13,834,597**	11,176,529

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 2017

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 13 February 2018.

1. GENERAL

Oversea-Chinese Banking Corporation Limited ("the Bank") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates. 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 Singapore 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 ("MAS").

The financial statements are presented in Singapore Dollar, 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 judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. 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 judgement or complexity, are disclosed in Note 2.24.

The following revised financial reporting standards and interpretations were applied with effect from 1 January 2017:

FRS	Title
FRS 7 (Amendments)	*Statement of Cash Flows: Disclosure Initiatives*
FRS 12 (Amendments)	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
Various	*Improvements to FRSs (December 2016)*

The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

2.2 BASIS OF CONSOLIDATION

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group controls when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases. The Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect its returns.

In preparing the consolidated financial statements, intra-group transactions and balances, together with unrealised income and expenses arising from the intra-group 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.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Bank, and are presented separately from equity attributable to equity holders of the Bank. For NCI that arise through minority unit holders' interest in the insurance subsidiaries of Great Eastern Holdings Limited ("GEH") consolidated investment funds, they are recognised as a liability. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the income statement as expenses.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date of acquisition on an acquisition-by-acquisition basis.

The excess of the fair value of consideration transferred, the recognised amount of any NCI in the acquiree and the acquisition-date fair values of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

2.2.1 Subsidiaries (continued)

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

2.2.2 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control and is generally established for a narrow and well-defined objective.

For the purpose of disclosure, the Group would be considered to sponsor a structured entity if it has a key role in establishing the structured entity or its name appears in the overall structure of the structured entity.

2.2.3 Associates and joint ventures

The Group applies FRS 28 I*nvestments in Associates and Joint Ventures* and FRS 111 *Joint Arrangements* for its investments in associates and joint ventures.

Associates are entities over which the Bank has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Joint ventures are arrangements to undertake economic activities in which the Group has joint control and rights to the net assets of the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under equity accounting, the investment is initially recognised at cost, and the carrying amount is adjusted for post-acquisition changes of the Group's share of the net assets of the entity until the date the significant influence or joint control ceases. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, where applicable. When the Group's share of losses equals or exceeds its interests 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.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control over the investee. Amounts previously recognised in other comprehensive income in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

2.2.4 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.

2.2.5 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 on 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 on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CURRENCY TRANSLATION (continued)

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 other comprehensive income and presented in the currency translation reserve within equity. When a foreign operation is disposed of, 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, money market placements and reverse repo transactions with central banks which are generally short-term financial instruments or repayable on demand.

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 ownership 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.

Securities lending and borrowing transactions are generally secured, with collaterals 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.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or 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 the balance sheet date, the Group recognises unrealised gains and losses on revaluing unsettled contracts in other comprehensive income. 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 other comprehensive income and presented in fair value reserve within 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 or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term. The Group may also designate financial assets under the fair value option if they are managed on a fair value basis, contain embedded derivatives that would otherwise be required to be separately accounted for or if by doing so would eliminate or significantly reduce accounting mismatch that would otherwise arise.

At the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 NON-DERIVATIVE FINANCIAL ASSETS (continued)

2.6.3 Financial assets at fair value through profit or loss (continued)

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 fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting.

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 significant 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 cumulative gain or loss 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.

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 the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting 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 consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest over the fair value of the identifiable net assets acquired.

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 over their estimated useful lives. The estimated useful lives range from 10 to 20 years. 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 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, the assets are generally 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 an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised, is recognised in the income statement.

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 the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its 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 the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 INSURANCE RECEIVABLES

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets has been met.

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 liabilities are held at fair value through profit or loss. Financial liabilities are held 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 fair value option designation eliminates or significantly reduces accounting mismatch that would otherwise arise; 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.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective agent's agreement. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 INSURANCE CONTRACTS

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of Great Eastern Holdings Limited ("GEH"), has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

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 realisable value of the insurance contract on surrender. 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 inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily GEH and its subsidiaries ("GEH Group"), write insurance contracts in accordance with 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 does not adopt a policy of deferring acquisition costs for its insurance contracts.

Life Assurance Fund contract liabilities

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.

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

Life Assurance Fund contract liabilities (continued)

The liability in respect of participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

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 include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and
(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to 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 benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction 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 against 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 an 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 as stated under the terms and conditions of the insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

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

	Singapore	Malaysia
Valuation method [1]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cash flows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities ("MGS") zero coupon spot yields (as outlined below).
Interest rate [1]	(i) Singapore Government Securities ("SGS") zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 15 and 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For Universal Life policies denominated in US Dollar: a) Observable market yields of US Treasury Yield Curve Rates for cash flows up to year 30; b) Ultimate forward rate ("UFR") of 3.5% applicable for cash flows beyond 60 years; and c) Extrapolated yields in between. *Data source: MAS website and Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation ("PAD") for Gross Premium Valuation method (iii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation ("PAD"). *Data source: Internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation ("PRAD") for Gross Premium Valuation method (ii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation ("PRAD"). *Data source: Internal experience studies*

[1] Refer to Note 2.24 on Critical accounting estimates and judgements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

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 contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contracts. The Group also issues short term medical and personal accident general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and the current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income.

The valuation of general insurance contract liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local insurance regulations, the provision for adverse deviation is set at 75% level of sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Loss Ratio Method.

Reinsurance contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.17 UNEXPIRED RISK RESERVE

The Unexpired Risk Reserve ("URR") represents the unearned portion of written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the balance sheet date. The change in provision for unearned premium is taken to the income statements 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.

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

2.18 SHARE CAPITAL AND DIVIDEND

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 SHARE CAPITAL AND DIVIDEND (continued)

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, are recognised as changes 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 derived from the insurance funds is categorised as follows:

(a) Participating Fund
Profits to shareholders from the participating fund are allocated 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, in accordance with the insurance regulations and the Articles of Association of the respective subsidiaries.

(b) Non-participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value 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 insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

(c) Investment-linked Fund
Revenue comprises bid-ask spread, fees for mortality and other insured events, asset management, 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 in accordance with the requirements of the insurance regulations, in respect of the non-unit-linked part of the fund.

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful non-participating products are recognised as revenue when payment is received.

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 the balance sheet date are adjusted through the unexpired risk reserve (Note 2.17). Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from 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. Premiums ceded out pertaining to periods after the balance sheet date are adjusted through the movement in unexpired risk reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE (continued)

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 offset against gross fees and commissions in the income statement only when they are directly related.

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 in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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, defined benefit plans, commissions, cash bonuses, and share-based compensation 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 the balance sheet date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in other comprehensive income in the period in which they arise.

Share-based compensation plans 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.

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 or in other comprehensive income.

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, associates and joint ventures 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.23 SEGMENT REPORTING

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and OCBC Wing Hang. All operating segments' results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. 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.

2.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates are made in the preparation of the financial statements. These often require management judgement 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.

2.24.1 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 based on management's credit experiences and judgement, taking into account geographical and industry factors. A minimum 1% portfolio allowance is maintained by the Group in accordance with the transitional arrangement set out in MAS Notice 612. The assumptions and judgements used by management may affect these allowances.

2.24.2 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 judgement. 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 operations, and financial cash flows.

2.24.3 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 inputs 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 amortised over the life of the transaction, released when the instrument's fair value can be determined using market observable inputs, or when the transaction is derecognised.

2.24.4 Liabilities of insurance business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is one of the Group's critical accounting estimates. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.24.4 Liabilities of insurance business (continued)

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the insurance subsidiaries' balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

2.24.5 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 judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

2.24.6 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement 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.

2.24.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether upon the occurrence of the insured event, the Group is required to pay significant additional benefits. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder 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; these insurance risks are deemed not significant.

3. NET INTEREST INCOME

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest income				
Loans to non-bank customers	**6,844,896**	6,527,133	**3,530,439**	3,235,481
Placements with and loans to banks	**1,090,406**	771,551	**918,347**	617,684
Other interest-earning assets	**1,182,734**	1,069,542	**597,762**	534,840
	9,118,036	8,368,226	**5,046,548**	4,388,005
Interest expense				
Deposits of non-bank customers	**(2,960,002)**	(2,722,650)	**(1,323,755)**	(1,063,386)
Deposits and balances of banks	**(141,654)**	(124,285)	**(256,093)**	(206,198)
Other borrowings	**(593,258)**	(469,163)	**(589,322)**	(438,840)
	(3,694,914)	(3,316,098)	**(2,169,170)**	(1,708,424)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**8,760,186**	8,084,569	**4,759,649**	4,174,796
Income – Assets at fair value through profit or loss	**357,850**	283,657	**286,899**	213,209
Expense – Liabilities not at fair value through profit or loss	**(3,672,584)**	(3,298,456)	**(2,147,135)**	(1,690,874)
Expense – Liabilities at fair value through profit or loss	**(22,330)**	(17,642)	**(22,035)**	(17,550)
Net interest income	**5,423,122**	5,052,128	**2,877,378**	2,679,581

Included in interest income were interest on impaired assets of $19.5 million (2016: $17.5 million) and $15.1 million (2016: $11.4 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP	
	2017 $ million	2016 $ million
Income		
Annual	**6,302.3**	6,142.5
Single	**6,001.0**	3,159.1
Gross premiums	**12,303.3**	9,301.6
Reinsurances	**(186.0)**	(234.3)
Premium income (net)	**12,117.3**	9,067.3
Investment income (net)	**4,116.6**	2,359.3
Total income	**16,233.9**	11,426.6
Expenses		
Gross claims, surrenders and annuities	**(5,468.4)**	(4,917.6)
Claims, surrenders and annuities recovered from reinsurers	**129.1**	96.7
Net claims, surrenders and annuities	**(5,339.3)**	(4,820.9)
Change in life assurance fund contract liabilities (Note 22)	**(8,107.7)**	(4,657.1)
Commission and agency expenses	**(893.0)**	(831.9)
Depreciation – property, plant and equipment (Note 35)	**(66.2)**	(53.1)
Other expenses [1]	**(466.5)**	(406.4)
Total expenses	**(14,872.7)**	(10,769.4)
Surplus from operations	**1,361.2**	657.2
Share of results of associates	**(0.5)**	(7.4)
Income tax expense	**(484.5)**	(150.8)
Profit from life assurance	**876.2**	499.0

(1) Included in other expenses were directors' emoluments of $0.5 million (2016: $0.5 million).

Profit from life assurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fee and commission income	**2,059,514**	1,702,598	**925,062**	821,871
Fee and commission expense	**(106,998)**	(64,310)	**(16,498)**	(712)
Fees and commissions (net)	**1,952,516**	1,638,288	**908,564**	821,159
Analysed by major sources:				
Brokerage	**72,417**	65,257	**333**	192
Credit card	**160,761**	158,962	**125,370**	124,367
Fund management	**108,294**	98,721	**48**	95
Guarantees	**18,954**	19,761	**9,610**	11,818
Investment banking	**94,138**	62,560	**74,230**	49,589
Loan-related	**291,672**	303,849	**207,513**	235,692
Service charges	**100,449**	95,945	**81,118**	76,662
Trade-related and remittances	**216,490**	208,657	**154,998**	149,895
Wealth management	**852,045**	587,790	**251,528**	170,091
Others	**37,296**	36,786	**3,816**	2,758
	1,952,516	1,638,288	**908,564**	821,159

6. DIVIDENDS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Subsidiaries	**–**	–	**529,499**	557,558
Associates	**–**	–	**19,330**	34,279
Trading and fair value through profit or loss securities	**12,000**	9,697	**5,790**	3,026
Available-for-sale securities	**64,383**	91,655	**4,434**	22,481
	76,383	101,352	**559,053**	617,344

7. OTHER INCOME

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Foreign exchange [(1)]	**253,571**	344,364	**(739)**	185,106
Hedging activities [(2)]				
Hedging instruments	**100,872**	(116,468)	**95,249**	(117,745)
Hedged items	**(101,600)**	116,450	**(95,648)**	117,619
Fair value hedges	**(728)**	(18)	**(399)**	(126)
Interest rate and other derivatives [(3)]	**104,274**	245,764	**67,828**	143,316
Trading and fair value through profit or loss securities	**156,696**	(62,814)	**91,135**	(99,011)
Others	**1,008**	1,764	**652**	1,603
Net trading income	**514,821**	529,060	**158,477**	230,888
Disposal of securities classified as available-for-sale	**405,431**	198,126	**61,678**	98,007
Disposal of securities classified as loans and receivables	**26,056**	–	**–**	–
Disposal of interests in subsidiaries and associates	**32,985**	(18,478)	**270,730**	4,866
Disposal of plant and equipment	**(240)**	(1,256)	**(97)**	(1,384)
Disposal of property	**56,818**	160,815	**10,937**	138,689
Computer-related services income	**21,880**	47,510	**–**	–
Property-related income	**10,033**	10,458	**293**	369
Others	**6,698**	31,542	**3,428**	19,077
	1,074,482	957,777	**505,446**	490,512

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
(2) "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".
(3) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
8.1 STAFF COSTS				
Salaries and other costs	**2,220,125**	2,111,861	**743,307**	715,602
Share-based expenses	**55,404**	51,115	**26,370**	26,834
Contribution to defined contribution plans	**179,665**	167,824	**68,369**	56,461
	2,455,194	2,330,800	**838,046**	798,897
Directors' emoluments:				
Remuneration of Bank's directors	**10,502**	10,387	**10,259**	10,284
Fees of Bank's directors [(1)]	**4,987**	5,410	**3,528**	3,656
	15,489	15,797	**13,787**	13,940
Total staff costs	**2,470,683**	2,346,597	**851,833**	812,837
8.2 OTHER OPERATING EXPENSES				
Property, plant and equipment and investment property: [(2)]				
Depreciation	**314,693**	308,119	**137,525**	131,372
Maintenance and hire	**121,084**	117,277	**39,167**	36,422
Rental expenses	**98,509**	100,160	**80,931**	69,330
Others	**258,224**	237,643	**110,351**	98,037
	792,510	763,199	**367,974**	335,161
Auditors' remuneration				
Payable to auditors of the Bank	**3,134**	3,094	**2,307**	2,257
Payable to associated firms of auditors of the Bank	**2,819**	3,202	**401**	353
Payable to other auditors	**1,435**	1,337	**60**	58
	7,388	7,633	**2,768**	2,668
Other fees				
Payable to auditors of the Bank [(3)]	**1,068**	1,132	**872**	745
Payable to associated firms of auditors of the Bank	**458**	1,018	**128**	91
	1,526	2,150	**1,000**	836
Hub processing charges	**–**	–	**205,716**	211,126
General insurance claims	**71,260**	73,407	**–**	–
Others [(4)]	**690,249**	595,542	**341,810**	298,307
	761,509	668,949	**547,526**	509,433
Total other operating expenses	**1,562,933**	1,441,931	**919,268**	848,098
8.3 STAFF COSTS AND OTHER OPERATING EXPENSES	**4,033,616**	3,788,528	**1,771,101**	1,660,935

(1) Includes remuneration shares amounting to $0.5 million (2016: $0.5 million) issued to directors.

(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $20.1 million (2016: $20.5 million) and $3.3 million (2016: $4.3 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.0 million (2016: $2.0 million) and $0.6 million (2016: $0.3 million) respectively.

(3) Other fees payable to auditors of the Bank relate mainly to engagements in connection with the Bank's note issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.

(4) Included in other expenses were printing, stationery, communication, advertisement and promotion expenses, legal and professional fees and changes in third-party interests in consolidated investment funds.

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Specific allowances for loans (Note 28)	**1,407,257**	484,215	**1,244,744**	309,646
(Write-back)/portfolio allowances for loans (Note 29)	**(786,004)**	171,466	**(608,654)**	96,287
Impairment charge for securities classified as available-for-sale	**50,389**	33,471	**21,888**	4,023
Impairment charge for securities classified as loans and receivables (Note 32)	**–**	34,543	**–**	26,671
(Write-back)/impairment charge for associates, subsidiaries and other assets (Note 32)	**(94)**	2,165	**50,277**	13,445
Net allowances and impairment	**671,548**	725,860	**708,255**	450,072

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current tax expense	**896,764**	707,231	**370,521**	312,723
Deferred tax credit (Note 20)	**(54,911)**	(44,168)	**(116)**	(19,903)
	841,853	663,063	**370,405**	292,820
Under/(over) provision in prior years	**(38,908)**	(34,190)	**(38,678)**	(24,744)
Charge to income statements	**802,945**	628,873	**331,727**	268,076

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Operating profit after allowances and amortisation	**4,826,500**	3,878,641	**2,424,050**	2,555,381
Prima facie tax calculated at tax rate of 17%	**820,505**	659,369	**412,089**	434,415
Effect of:				
Different tax rates in other countries	**126,910**	76,690	**36,385**	3,945
Income not subject to tax	**(31,593)**	(91,149)	**(130,292)**	(160,681)
Income taxed at concessionary rates	**(86,403)**	(46,748)	**(82,900)**	(46,601)
Singapore life assurance funds	**(79,982)**	(22,075)	**–**	–
Non-deductible expenses and losses	**55,929**	22,019	**91,418**	2,467
Others	**36,487**	64,957	**43,705**	59,275
	841,853	663,063	**370,405**	292,820
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**458**	6,621	**3,130**	4,880
Depreciable assets acquired in business combinations	**(11,787)**	(11,936)	**(2,159)**	(3,509)
Tax losses	**(1,573)**	(9,165)	**(1,854)**	(10,485)
Unrealised gains/(losses) on financial assets	**(31,896)**	2,567	**6,843**	1,372
Write-back/(allowances) for assets	**38,846**	(35,556)	**(1,375)**	(11,548)
Other temporary differences	**(48,959)**	3,301	**(4,701)**	(613)
	(54,911)	(44,168)	**(116)**	(19,903)

11. EARNINGS PER SHARE

	GROUP	
	2017	**2016**
$'000		
Profit attributable to ordinary equity holders of the Bank	**4,146,438**	3,473,092
Preference dividends declared in respect of the period	**(43,068)**	(40,110)
Perpetual capital securities distributions declared in respect of the period	**(19,000)**	(19,052)
Profit attributable to ordinary equity holders of the Bank after preference dividends and other equity distributions	**4,084,370**	3,413,930
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,186,249**	4,151,864
Adjustment for assumed conversion of share options and acquisition rights	**6,215**	1,109
For diluted earnings per share	**4,192,464**	4,152,973
Earnings per share (cents)		
Basic	**97.6**	82.2
Diluted	**97.4**	82.2

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual capital securities distributions by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. UNAPPROPRIATED PROFIT

	GROUP		BANK	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Profit attributable to equity holders of the Bank	**4,146,438**	3,473,092	**2,092,323**	2,287,305
Add: Unappropriated profit at 1 January	**20,259,830**	18,401,132	**11,330,145**	10,592,552
Total amount available for appropriation	**24,406,268**	21,874,224	**13,422,468**	12,879,857
Appropriated as follows:				
Ordinary dividends:				
2015 final tax exempt dividend of 18 cents	**–**	(741,004)	**–**	(741,004)
2016 interim tax exempt dividend of 18 cents	**–**	(752,838)	**–**	(752,838)
2016 final tax exempt dividend of 18 cents	**(753,830)**	–	**(753,830)**	–
2017 interim tax exempt dividend of 18 cents	**(754,332)**	–	**(754,332)**	–
Preference dividends:				
Class M 4.0% tax exempt (2016: 4.0% tax exempt)	**(43,068)**	(40,110)	**(43,068)**	(40,110)
Distributions for other equity instruments:				
3.80% perpetual capital securities	**(19,000)**	(19,052)	**(19,000)**	(19,052)
Transfer from/(to):				
Capital reserves (Note 14)	**193,643**	(61,676)	**–**	–
General reserves (Note 15.1)	**(3,570)**	3,317	**3,977**	3,317
Defined benefit plans remeasurements	**(1,609)**	2,404	**(30)**	(25)
Transactions with non-controlling interests	**(7,204)**	(5,435)	**–**	–
	(1,388,970)	(1,614,394)	**(1,566,283)**	(1,549,712)
At 31 December (Note 15)	**23,017,298**	20,259,830	**11,856,185**	11,330,145

At the annual general meeting to be held, a final tax exempt dividend of 19 cents per ordinary share in respect of the financial year ended 31 December 2017, totalling $795.5 million, will be proposed. The dividends will be accounted for as a distribution in the 2018 financial statements.

13. SHARE CAPITAL AND OTHER EQUITY

13.1 SHARE CAPITAL

GROUP AND BANK	2017 Shares ('000)	2016 Shares ('000)	2017 $'000	2016 $'000
Ordinary shares				
At 1 January	**4,193,729**	4,121,561	**14,392,329**	13,803,649
Shares issued in-lieu of ordinary dividends	**–**	72,110	**–**	584,054
Shares issued to non-executive directors	**55**	58	**549**	535
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**21,691**	4,091
At 31 December	**4,193,784**	4,193,729	**14,414,569**	14,392,329
Treasury shares				
At 1 January	**(11,022)**	(6,086)	**(285,511)**	(243,282)
Share buyback	**(20,560)**	(13,614)	**(223,912)**	(117,245)
Share Option Schemes	**13,133**	1,497	**115,513**	9,999
Share Purchase Plan	**6,302**	26	**62,838**	246
Treasury shares transferred to DSP Trust	**5,076**	7,155	**52,850**	64,771
At 31 December	**(7,071)**	(11,022)	**(278,222)**	(285,511)
Preference shares				
Class M				
At 1 January/31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued share capital, at 31 December			**15,136,347**	15,106,818

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.

Details of the Bank's non-cumulative non-convertible preference shares outstanding as at 31 December 2017 are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group. The 4.0% Class M non-cumulative non-convertible preference shares were fully redeemed by the Bank on 17 January 2018.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2017 and 31 December 2016.

13. SHARE CAPITAL AND OTHER EQUITY (continued)

13.2 SHARE OPTION SCHEME

During the year, the Bank granted 9,587,008 (2016: 9,524,094) options to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 772,350 (2016: 1,024,798) options granted to a director of the Bank. The fair value of options granted, determined using the binomial valuation model, was $7.3 million (2016: $12.4 million). Significant inputs to the valuation model are set out below:

	2017	2016
Acquisition price ($)	**9.60 – 12.32**	8.81
Share price ($)	**9.64 – 12.39**	8.95
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**12.94 – 14.73**	20.08
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.11**	1.83
Expected dividend yield (%)	**3.22 – 4.27**	4.02
Exercise multiple (times)	**1.74**	1.78
Option life (years)	**10**	10

Movements in the number of options and the average acquisition prices are as follows:

	2017		2016	
	Number of options	Average price	Number of options	Average price
At 1 January	**40,887,286**	**$9.116**	34,806,479	$9.109
Granted and accepted	**9,587,008**	**$9.603**	9,479,487	$8.814
Exercised	**(13,224,648)**	**$8.860**	(1,544,200)	$6.739
Forfeited/lapsed	**(664,684)**	**$9.825**	(1,854,480)	$9.411
At 31 December	**36,584,962**	**$9.323**	40,887,286	$9.116
Exercisable options at 31 December	**18,796,148**	**$9.225**	25,188,639	$8.996
Average share price underlying the options exercised		**$10.712**		$8.690

At 31 December 2017, the weighted average remaining contractual life of outstanding share options was 7.0 years (2016: 6.4 years). The aggregate outstanding number of options held by directors of the Bank was 4,624,417 (2016: 4,366,217).

13. SHARE CAPITAL AND OTHER EQUITY (continued)

13.3 EMPLOYEE SHARE PURCHASE PLAN

In June 2017, the Bank launched its twelfth offering of ESP Plan for Group employees, which commenced on 1 July 2017 and expire on 30 June 2019. Under the offering, the Bank granted 7,580,663 (2016: 10,644,475) rights to acquire ordinary shares in the Bank. There were 3,342 (2016: 4,260) rights granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $5.5 million (2016: $9.2 million). Significant inputs to the valuation model are set out below:

	2017	2016
Acquisition price ($)	**10.77**	8.45
Share price ($)	**10.72**	8.45
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**13.06**	20.66
Risk-free rate based on 2-year swap rate (%)	**1.26**	0.99
Expected dividend yield (%)	**3.36**	4.26

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2017		2016	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**15,662,202**	**$9.106**	14,221,456	$9.814
Exercised and conversion upon expiry	**(6,302,173)**	**$9.855**	(26,443)	$9.337
Forfeited	**(2,356,609)**	**$9.545**	(9,177,286)	$9.443
Subscription	**7,580,663**	**$10.770**	10,644,475	$8.450
At 31 December	**14,584,083**	**$9.576**	15,662,202	$9.106
Average share price underlying acquisition rights exercised/converted		**$10.992**		$8.876

At 31 December 2017, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2016: 1.1 years). There were 7,602 (2016: 7,775) rights held by a director of the Bank.

13.4 DEFERRED SHARE PLAN

Total awards of 5,761,209 (2016: 7,473,690) ordinary shares, which included 220,000 (2016: 318,541) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2017. The fair value of the shares at grant date was $54.9 million (2016: $66.9 million).

During the year, 5,007,868 (2016: 4,350,930) deferred shares were released to employees, of which 271,875 (2016: 273,612) deferred shares were released to a director of the Bank who held office as at the end of the financial year. At 31 December 2017, a director of the Bank had deemed interest in 709,143 (2016: 738,024) deferred shares.

The nature, general terms and conditions of Share Option Scheme, Employee Share Purchase Plan and Deferred Share Plan are provided in the Directors' Statement and the Corporate Governance section of the Annual Report.

The accounting treatment of share-based compensation plan is set out in Note 2.19.7.

13. SHARE CAPITAL AND OTHER EQUITY (continued)

13.5 OTHER EQUITY INSTRUMENTS

	GROUP AND BANK	
	2017 $'000	2016 $'000
SGD500 million 3.80% non-cumulative non-convertible perpetual capital securities ("Capital Securities")	**499,143**	499,143

The Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore ("MAS") Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore ("MAS Notice 637") on the basis that the Bank is subject to the application of MAS Notice 637.

The Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 25 August 2020 ("First Reset Date"). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2020, the Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The Capital Securities bear a fixed distribution rate of 3.80% per annum from the issue date to the First Reset Date and will be reset every 5 years thereafter to a fixed rate equal to the then-prevailing 5-year SGD Swap Offer Rate plus 1.51%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in February and August, unless cancelled by the Bank at its option. The Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

14. CAPITAL RESERVES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	**571,850**	526,910	**105,678**	94,749
Share-based staff costs capitalised	**14,807**	15,020	**14,807**	15,020
Shares transferred to DSP Trust	**(58,745)**	(70,401)	**–**	–
Shares vested under DSP Scheme	**48,865**	42,736	**–**	–
Transfer (to)/from unappropriated profit (Note 12)	**(193,643)**	61,676	**–**	–
Transfer to share capital (Note 13.1)	**(21,691)**	(4,091)	**(21,691)**	(4,091)
At 31 December	**361,443**	571,850	**98,794**	105,678

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. REVENUE RESERVES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unappropriated profit (Note 12)	**23,017,298**	20,259,830	**11,856,185**	11,330,145
General reserves	**1,340,812**	1,331,175	**1,383,127**	1,381,210
Cash flow hedge reserves	**(76)**	–	**–**	–
Currency translation reserves	**(1,465,927)**	(917,576)	**(222,337)**	(149,145)
At 31 December	**22,892,107**	20,673,429	**13,016,975**	12,562,210

15.1 GENERAL RESERVES

At 1 January	**1,331,175**	1,328,862	**1,381,210**	1,114,562
Arising from merger of subsidiaries	**–**	–	**–**	264,335
Transactions with non-controlling interests	**173**	–	**–**	–
DSP reserve from dividends on unvested shares	**5,894**	5,630	**5,894**	5,630
Transfer from/(to) unappropriated profits (Note 12)	**3,570**	(3,317)	**(3,977)**	(3,317)
At 31 December	**1,340,812**	1,331,175	**1,383,127**	1,381,210

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

15.2 CASH FLOW HEDGE RESERVES

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

15.3 CURRENCY TRANSLATION RESERVES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	**(917,576)**	(997,822)	**(149,145)**	(161,658)
Movements for the year	**(1,015,091)**	138,361	**(74,419)**	5,639
Effective portion of hedge	**466,740**	(58,115)	**1,227**	6,874
At 31 December	**(1,465,927)**	(917,576)	**(222,337)**	(149,145)

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.

Refer to Note 39.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

16. NON-CONTROLLING INTERESTS

		GROUP	
	Note	2017 $'000	2016 $'000
Non-controlling interests in subsidiaries		**1,267,728**	1,134,940
Preference shares issued by a subsidiary			
OCBC Capital Corporation (2008)	(a)	**1,500,000**	1,500,000
Total non-controlling interests		**2,767,728**	2,634,940

(a) OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the $1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(e)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits of non-bank customers				
Current accounts	**87,773,491**	85,411,477	**45,188,341**	42,592,314
Savings deposits	**51,816,611**	48,240,409	**42,315,882**	38,529,930
Term deposits	**113,161,109**	108,300,554	**64,125,473**	59,999,444
Structured deposits	**4,916,531**	5,642,079	**1,825,832**	1,851,605
Certificate of deposits issued	**21,629,624**	11,978,038	**21,331,861**	11,727,423
Other deposits	**4,344,803**	1,913,305	**3,358,699**	1,052,221
	283,642,169	261,485,862	**178,146,088**	155,752,937
Deposits and balances of banks	**7,485,428**	10,739,590	**6,084,643**	9,090,295
	291,127,597	272,225,452	**184,230,731**	164,843,232
17.1 DEPOSITS OF NON-BANK CUSTOMERS				
Analysed by currency				
Singapore Dollar	**97,664,767**	94,413,009	**93,950,520**	90,982,762
US Dollar	**93,414,634**	80,402,221	**63,884,965**	46,760,330
Malaysian Ringgit	**22,364,431**	21,701,024	**–**	–
Indonesian Rupiah	**8,205,921**	7,563,135	**–**	–
Japanese Yen	**1,438,805**	1,652,975	**475,391**	648,213
Hong Kong Dollar	**28,639,968**	27,335,933	**4,984,726**	6,211,565
British Pound	**7,051,170**	5,329,760	**5,440,687**	3,358,238
Australian Dollar	**10,904,050**	8,547,670	**5,982,504**	4,835,998
Euro	**1,856,613**	2,421,464	**579,564**	508,916
Chinese Renminbi	**7,551,231**	8,007,948	**1,460,985**	1,457,006
Others	**4,550,579**	4,110,723	**1,386,746**	989,909
	283,642,169	261,485,862	**178,146,088**	155,752,937
17.2 DEPOSITS AND BALANCES OF BANKS				
Analysed by currency				
Singapore Dollar	**798,162**	716,261	**779,612**	711,711
US Dollar	**4,635,342**	5,457,242	**3,988,251**	5,190,637
Malaysian Ringgit	**241,795**	533,480	**–**	11,777
Indonesian Rupiah	**140,856**	417,254	**–**	–
Japanese Yen	**36,068**	72,392	**35,710**	38,391
Hong Kong Dollar	**594,512**	921,467	**579,209**	904,521
British Pound	**9,332**	74,562	**4,819**	72,127
Australian Dollar	**326,340**	1,216,825	**321,174**	1,209,203
Euro	**210,623**	286,962	**187,063**	286,809
Chinese Renminbi	**303,786**	497,983	**1,464**	135,923
Others	**188,612**	545,162	**187,341**	529,196
	7,485,428	10,739,590	**6,084,643**	9,090,295

18. 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 the balance sheet date are analysed below.

	2017			2016		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	79,449,518	648,921	730,196	52,598,526	729,665	682,034
Swaps	267,670,709	3,039,822	3,088,205	209,187,749	4,297,135	4,011,655
OTC options – bought	34,516,862	284,783	35,497	20,533,064	397,285	37,411
OTC options – sold	32,013,241	16,529	236,420	19,678,202	15,896	390,313
	413,650,330	3,990,055	4,090,318	301,997,541	5,439,981	5,121,413
Interest rate derivatives ("IRD")						
Swaps	480,380,675	2,226,065	2,179,153	358,496,972	2,206,171	2,150,051
OTC options – bought	873,028	2,363	–	294,736	3,171	–
OTC options – sold	2,186,709	–	18,966	2,206,866	–	26,565
Exchange traded futures – bought	1,643,308	224	82	167,070	161	–
Exchange traded futures – sold	3,431,656	661	52	1,673,453	1	667
	488,515,376	2,229,313	2,198,253	362,839,097	2,209,504	2,177,283
Equity derivatives						
Forwards	–	–	–	14,552	–	–
Swaps	1,061,144	29,012	28,959	725,969	19,201	19,237
OTC options – bought	1,659,130	42,023	13,766	1,316,207	21,843	14,406
OTC options – sold	1,576,791	15,906	41,243	1,143,734	19,789	16,779
Exchange traded options – bought	184	184	–	–	–	–
Exchange traded futures – bought	148,188	998	–	–	–	–
Exchange traded futures – sold	263,093	22	1,219	144,897	5	926
Others	3,073	24	24	7,886	240	6
	4,711,603	88,169	85,211	3,353,245	61,078	51,354
Credit derivatives						
Swaps – protection buyer	5,474,651	5,562	62,540	7,977,048	13,986	82,354
Swaps – protection seller	4,449,184	61,746	5,512	7,184,602	82,578	11,017
	9,923,835	67,308	68,052	15,161,650	96,564	93,371
Other derivatives						
Precious metals – bought	179,679	3,321	990	169,906	419	9,858
Precious metals – sold	201,809	1,066	4,048	199,177	9,946	762
OTC options – bought	999,014	5,422	492	600,653	16,658	111
OTC options – sold	993,807	492	5,369	600,653	111	16,658
Futures – sold	8,429	80	–	–	–	–
Commodity swaps	39,732	715	1,242	39,503	3,348	3,348
	2,422,470	11,096	12,141	1,609,892	30,482	30,737
Total	919,223,614	6,385,941	6,453,975	684,961,425	7,837,609	7,474,158
Included items designated for hedges:						
Fair value hedge – FED	–	–	–	630,616	286	168,403
Fair value hedge – IRD	5,815,051	43,613	14,989	6,550,441	75,952	22,700
Hedge of net investments – FED	3,170,036	100,564	22,673	5,222,963	102,874	41,756
	8,985,087	144,177	37,662	12,404,020	179,112	232,859

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2017 Principal notional amount	2017 Derivative receivables	2017 Derivative payables	2016 Principal notional amount	2016 Derivative receivables	2016 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	26,867,182	197,307	229,522	24,546,486	362,551	246,760
Swaps	241,666,109	2,533,571	2,415,762	191,406,789	3,594,828	3,411,089
OTC options – bought	11,990,517	135,775	29,010	8,845,329	204,319	35,585
OTC options – sold	9,775,087	10,034	108,861	8,014,687	12,175	186,497
	290,298,895	2,876,687	2,783,155	232,813,291	4,173,873	3,879,931
Interest rate derivatives ("IRD")						
Swaps	445,480,040	2,143,771	2,094,828	328,204,318	2,052,646	1,988,019
OTC options – bought	846,786	2,156	–	129,555	449	–
OTC options – sold	2,140,002	–	17,993	2,038,452	–	24,137
Exchange traded futures – bought	1,643,308	224	82	167,070	161	–
Exchange traded futures – sold	2,892,394	618	42	1,592,462	1	549
	453,002,530	2,146,769	2,112,945	332,131,857	2,053,257	2,012,705
Equity derivatives						
Swaps	1,017,073	26,610	26,545	663,614	18,392	18,403
OTC options – bought	134,137	1,046	227	196,857	2,023	1,964
OTC options – sold	87,979	2,686	713	109,641	7,504	889
Exchange traded futures – bought	148,188	998	–	–	–	–
Exchange traded futures – sold	263,093	22	1,219	144,897	5	926
Others	3,073	24	24	7,886	240	6
	1,653,543	31,386	28,728	1,122,895	28,164	22,188
Credit derivatives						
Swaps – protection buyer	5,398,439	543	62,529	7,815,162	10,961	82,089
Swaps – protection seller	4,376,951	61,736	494	7,043,269	82,309	7,998
	9,775,390	62,279	63,023	14,858,431	93,270	90,087
Other derivatives						
Precious metals – sold	21,735	–	784	19,430	–	365
Commodity swaps	–	–	–	6,241	3,024	3,024
	21,735	–	784	25,671	3,024	3,389
Total	754,752,093	5,117,121	4,988,635	580,952,145	6,351,588	6,008,300
Included items designated for hedges:						
Fair value hedge – FED	1,597,531	94,826	–	630,616	286	168,403
Fair value hedge – IRD	4,345,405	39,366	14,168	6,095,022	72,668	20,511
Hedge of net investments – FED	1,268,975	5,738	8,914	2,229,795	27,150	21,100
	7,211,911	139,930	23,082	8,955,433	100,104	210,014

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,016,960**	4,418,164	**2,396,441**	3,572,088
Other financial institutions	**2,234,155**	2,177,105	**1,829,856**	1,817,397
Corporates	**862,664**	973,702	**779,829**	843,016
Individuals	**213,063**	192,053	**51,898**	42,503
Others	**59,099**	76,585	**59,097**	76,584
	6,385,941	7,837,609	**5,117,121**	6,351,588
Analysed by geography				
Singapore	**988,051**	1,249,303	**1,067,329**	1,260,435
Malaysia	**267,057**	650,164	**35,432**	47,286
Indonesia	**61,916**	61,156	**31,714**	22,909
Greater China	**996,997**	1,069,211	**471,177**	695,957
Other Asia Pacific	**363,693**	652,009	**316,683**	612,641
Rest of the World	**3,708,227**	4,155,766	**3,194,786**	3,712,360
	6,385,941	7,837,609	**5,117,121**	6,351,588

The analysis by geography is determined based on where the credit risk resides.

19. OTHER LIABILITIES

	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Bills payable	**437,445**	386,578	**329,200**	273,822
Interest payable	**776,602**	879,291	**458,700**	514,514
Sundry creditors	**3,750,056**	3,228,203	**591,947**	510,251
Others	**1,100,306**	1,096,557	**475,623**	448,433
	6,064,409	5,590,629	**1,855,470**	1,747,020

At 31 December 2017, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $33.3 million (2016: $38.8 million) and $35.1 million (2016: $54.6 million) respectively for the Group.

20. DEFERRED TAX

	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
At 1 January	**1,128,519**	1,191,984	**(13,169)**	11,105
Acquisitions	**11,097**	–	**–**	–
Currency translation	**(2,248)**	(2,983)	**2,954**	(2,728)
Net charge/(credit) to income statements (Note 10)	**(54,911)**	(44,168)	**(116)**	(19,903)
Under /(over) provision in prior years	**4,468**	(536)	**1,412**	1,699
Net charge/(credit) to equity	**13,411**	(5,531)	**(1,543)**	(3,342)
Net change in life assurance fund tax	**307,913**	(10,247)	**–**	–
At 31 December	**1,408,249**	1,128,519	**(10,462)**	(13,169)

20. DEFERRED TAX (continued)

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**96,254**	90,461	**59,460**	55,907
Unrealised gain on available-for-sale financial assets	**320,378**	176,058	**1,271**	3,240
Fair value of depreciable assets acquired in business combination	**175,693**	187,085	**48,561**	50,720
Provision for policy liabilities	**1,011,550**	833,324	**–**	–
Others	**135,539**	143,965	**11,333**	5,634
	1,739,414	1,430,893	**120,625**	115,501
Amount offset against deferred tax assets	**(157,395)**	(106,286)	**(66,461)**	(64,390)
	1,582,019	1,324,607	**54,164**	51,111
Deferred tax assets				
Allowances for assets	**(176,248)**	(201,041)	**(97,220)**	(97,415)
Tax losses	**(13,378)**	(13,360)	**(13,378)**	(12,459)
Others	**(141,539)**	(87,973)	**(20,489)**	(18,796)
	(331,165)	(302,374)	**(131,087)**	(128,670)
Amount offset against deferred tax liabilities	**157,395**	106,286	**66,461**	64,390
	(173,770)	(196,088)	**(64,626)**	(64,280)
Net deferred tax liabilities/(assets)	**1,408,249**	1,128,519	**(10,462)**	(13,169)

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 2017, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $53.9 million (2016: $67.7 million) for the Group, $8.4 million (2016: $12.1 million) for the Bank.

21. DEBT ISSUED

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Subordinated debt (unsecured) [Note 21.1]	**4,556,224**	6,503,170	**5,524,342**	6,604,073
Fixed and floating rate notes (unsecured) [Note 21.2]	**3,424,298**	3,564,849	**2,815,586**	3,135,696
Commercial papers (unsecured) [Note 21.3]	**21,380,796**	8,572,419	**21,285,101**	8,484,813
Structured notes (unsecured) [Note 21.4]	**1,289,133**	1,306,941	**1,289,133**	1,306,941
Covered bonds (secured) [Note 21.5]	**1,584,295**	–	**1,584,295**	–
	32,234,746	19,947,379	**32,498,457**	19,531,523

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2017 $'000	GROUP 2016 $'000
Issued by the Bank:					
USD500 million 3.75% notes	(a)	15 Nov 2010	15 Nov 2022	–	726,533
USD1 billion 3.15% notes	(b)	11 Sep 2012	11 Mar 2023	**1,336,728**	1,445,298
USD1 billion 4.00% notes	(c)	15 Apr 2014	15 Oct 2024	**1,330,147**	1,451,179
USD1 billion 4.25% notes	(d)	19 Jun 2014	19 Jun 2024	**1,357,467**	1,481,063
SGD1.5 billion 5.10% notes	(e)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				5,524,342	6,604,073
Subordinated debt issued to a subsidiary				**(1,500,000)**	(1,500,000)
Net subordinated debt issued by the Bank				**4,024,342**	5,104,073
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(f)	17 Apr 2009	Not applicable	**132,182**	128,985
MYR600 million 4.00% bonds	(g)	15 Aug 2012	15 Aug 2022	–	193,292
				132,182	322,277
Issued by OCBC Wing Hang Bank ("OCBC Wing Hang"):					
USD400 million 6.00% step-up perpetual notes	(h)	19 Apr 2007	Not applicable	–	582,248
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR880 billion 11.35% Subordinated Bonds III	(i)	30 Jun 2010	30 Jun 2017	–	94,972
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(j)	19 Jan 2011	19 Jan 2026	**399,700**	399,600
Total subordinated debt				**4,556,224**	6,503,170

(a) The subordinated notes were fully redeemed by the Bank on 15 November 2017.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 15 October 2019. They can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 15 April and 15 October each year at 4.00% per annum up to 15 October 2019, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.203% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED) (continued)

(d) The subordinated notes can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 19 June and 19 December each year at 4.25% per annum. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the $1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.

(f) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Additional Tier 1 capital for the Group.

(g) The subordinated bonds were fully redeemed by OCBC Malaysia on 15 August 2017.

(h) The perpetual notes were fully redeemed by OCBC Wing Hang on 20 April 2017.

(i) The subordinated bonds were fully redeemed by OCBC NISP on 30 June 2017.

(j) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

21. DEBT ISSUED (continued)

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2017 $'000	GROUP 2016 $'000
Issued by the Bank:					
AUD500 million floating rate notes	(a)	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	**–**	523,125
AUD300 million floating rate notes	(b)	6 Mar 2015	6 Jun 2019	**312,344**	313,676
AUD500 million floating rate notes	(c)	12 Nov 2015 – 2 Dec 2015	12 Nov 2018	**520,672**	522,918
AUD300 million floating rate notes	(d)	17 Mar 2016	17 Mar 2020	**312,476**	313,701
AUD500 million floating rate notes	(e)	22 Feb 2017	22 Feb 2018	**520,785**	–
AUD150 million floating rate notes	(f)	22 Jun 2017	10 Dec 2018	**156,238**	–
AUD500 million floating rate notes	(g)	6 Oct 2017 – 6 Nov 2017	6 Oct 2020	**520,400**	–
AUD125 million floating rate notes	(h)	30 Nov 2017	30 Nov 2018	**130,187**	–
CNY500 million 3.50% fixed rate notes	(i)	5 Feb 2013	5 Feb 2020	**102,563**	103,987
CNY200 million 2.70% fixed rate notes	(a)	5 Jun 2014	5 Jun 2017	**–**	41,594
GBP250 million floating rate notes	(a)	15 May 2014	15 May 2017	**–**	444,570
HKD1 billion 2.20% fixed rate notes	(a)	19 Jan 2012	19 Jan 2017	**–**	186,473
HKD1.35 billion 1.67% fixed rate notes	(a)	24 Sep 2014	15 Sep 2017	**–**	251,802
HKD1.403 billion 1.59% fixed rate notes	(j)	25 Sep 2017	25 Sep 2020	**239,921**	–
USD200 million floating rate notes	(a)	2 May 2014	2 May 2017	**–**	289,248
USD100 million 1.52% fixed rate notes	(a)	11 Dec 2014	11 Dec 2017	**–**	144,602
				2,815,586	3,135,696
Issued by OCBC NISP:					
IDR670 billion 9.40% fixed rate bonds	(a)	10 Feb 2015	10 Feb 2017	**–**	72,347
IDR1,235 billion 9.80% fixed rate bonds	(k)	10 Feb 2015	10 Feb 2018	**122,250**	133,224
IDR837 billion 7.50% fixed rate bonds	(a)	11 May 2016	21 May 2017	**–**	90,268
IDR380 billion 8.00% fixed rate bonds	(k)	11 May 2016	11 May 2018	**37,594**	40,936
IDR783 billion 8.25% fixed rate bonds	(k)	11 May 2016	11 May 2019	**77,380**	84,316
IDR1,248 billion 6.75% fixed rate bonds	(k)	22 Aug 2017	2 Sep 2018	**123,332**	–
IDR300 billion 7.30% fixed rate bonds	(k)	22 Aug 2017	22 Aug 2019	**29,633**	–
IDR454 billion 7.70% fixed rate bonds	(k)	22 Aug 2017	22 Aug 2020	**44,838**	–
IDR975 billion 6.15% fixed rate bonds	(k)	12 Dec 2017	22 Dec 2018	**96,276**	–
IDR175 billion 6.75% fixed rate bonds	(k)	12 Dec 2017	12 Dec 2019	**17,279**	–
IDR609 billion 7.20% fixed rate bonds	(k)	12 Dec 2017	12 Dec 2020	**60,130**	–
				608,712	421,091
Issued by Pac Lease Berhad:					
MYR10 million 4.50% fixed rate notes	(a)	7 Oct 2015	7 Apr 2017	**–**	3,225
MYR15 million 4.60% fixed rate notes	(a)	7 Oct 2015	7 Apr 2017	**–**	4,837
				–	8,062
Total fixed and floating rate notes				**3,424,298**	3,564,849

(a) The notes and bonds were fully redeemed on their respective maturity dates.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.86% per annum.

21. DEBT ISSUED (continued)

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED) (continued)

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.20% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.49% per annum.

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.45% per annum.

(g) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.60% per annum.

(h) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.26% per annum.

(i) Interest is payable semi-annually.

(j) Interest is payable annually.

(k) Interest is payable quarterly.

21.3 COMMERCIAL PAPERS (UNSECURED)

		GROUP	
	Note	2017 $'000	2016 $'000
Issued by the Bank	(a)	**21,285,101**	8,484,813
Issued by Pac Lease Berhad	(b)	**95,695**	87,606
		21,380,796	8,572,419

(a) The commercial papers were issued by the Bank under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding at 31 December 2017 were issued between 8 March 2017 (2016: 7 July 2016) and 22 December 2017 (2016: 23 December 2016), and mature between 4 January 2018 (2016: 3 January 2017) and 4 October 2018 (2016: 15 November 2017), yielding between 0.23% and 1.60% (2016: 0.38% and 1.10%).

(b) The commercial papers were issued by the Group's subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2017 were issued between 9 November 2017 (2016: 10 November 2016) and 22 December 2017 (2016: 28 December 2016), and mature between 4 January 2018 (2016: 5 January 2017) and 22 January 2018 (2016: 27 January 2017), with interest rate ranging from 3.87% to 4.05% (2016: 3.72% to 4.05%).

21.4 STRUCTURED NOTES (UNSECURED)

			GROUP	
	Issue date	Maturity date	2017 $'000	2016 $'000
Issued by the Bank:				
Credit linked notes	20 Apr 2012 – 28 Dec 2017	31 Jan 2018 – 8 Sep 2025	**980,518**	1,008,967
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**106,929**	122,909
Bond linked notes	28 Jul 2016 – 3 Nov 2017	29 Nov 2018 – 26 Feb 2025	**194,911**	161,184
Equity linked notes	5 Apr 2017 – 18 Dec 2017	5 Jan 2018 – 10 Apr 2018	**3,539**	7,599
Fund linked notes	6 Jun 2017	6 Jun 2018	**3,236**	6,282
			1,289,133	1,306,941

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for $749.1 million (2016: $706.2 million) included under credit linked notes and $194.9 million (2016: $161.2 million) included under bond linked notes as at 31 December 2017 which were held at fair value through profit or loss.

21. DEBT ISSUED (continued)

21.4 STRUCTURED NOTES (UNSECURED) (continued)

In accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit or loss, and were included as part of the Group's derivatives in the financial statements. This accounting treatment is also in line with the Group's accounting policy for derivatives (Note 2.7).

21.5 COVERED BONDS (SECURED)

			GROUP	
	Issue date	Maturity date	2017 $'000	2016 $'000
Issued by the Bank:				
EUR1 billion 0.25% fixed rate covered bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	**1,584,295**	–

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore home loans transferred from OCBC Bank to Red Sail Pte. Ltd. (Note 46.2). Interest is payable annually in arrears.

21.6 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
GROUP ($'000)	1 January 2017	Cash flows	Foreign exchange movements	Others	31 December 2017
Subordinated debt	6,503,170	(1,521,099)	(396,401)	(29,446)	**4,556,224**
Fixed and floating rate notes	3,564,849	(62,296)	(77,930)	(325)	**3,424,298**
Commercial papers	8,572,419	13,706,523	(959,433)	61,287	**21,380,796**
Structured notes	1,306,941	58,162	(102,808)	26,838	**1,289,133**
Covered bonds	–	1,540,594	(53,473)	97,174	**1,584,295**
	19,947,379	13,721,884	(1,590,045)	155,528	**32,234,746**

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2017 $ million	2016 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**54,881.1**	50,478.1
Currency translation	**498.3**	(427.2)
Fair value reserve movements	**1,656.8**	176.6
Disposal of subsidiary	**–**	(3.5)
Change in life assurance fund contract liabilities (Note 4)	**8,107.7**	4,657.1
At 31 December	**65,143.9**	54,881.1
Policy benefits	**3,742.8**	3,319.5
Others	**4,868.5**	3,760.6
	73,755.2	61,961.2
Life assurance fund investment assets		
Deposits with banks and financial institutions	**3,350.1**	2,097.4
Loans	**3,601.2**	3,750.1
Securities	**63,847.3**	53,124.6
Investment property	**1,553.0**	1,539.0
Others [(1)]	**1,575.8**	1,461.2
	73,927.4	61,972.3
Life assurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**286.8**	268.7
Deferred tax	**1,310.8**	1,002.9
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**848.1**	669.8
Property, plant and equipment	**577.3**	590.6
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**13.6**	14.6
Capital commitment authorised and contracted	**195.2**	225.0
Derivative financial instruments (principal notional amount)	**15,717.4**	12,478.1
Derivative receivables	**237.8**	78.4
Derivative payables	**366.0**	732.9
Minimum lease rental receivables under non-cancellable operating leases	**67.8**	73.1

(1) Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.
(2) # represents amounts less than $0.5 million.

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash on hand	**821,384**	801,419	**501,602**	486,374
Non-restricted balances with central banks	**576,462**	585,324	**441,851**	207,285
Money market placements and reverse repos with central banks	**12,436,751**	9,789,786	**10,038,033**	7,715,204
Cash and cash equivalents	**13,834,597**	11,176,529	**10,981,486**	8,408,863
Restricted balances with central banks – mandatory reserve deposits	**5,759,826**	5,382,934	**3,373,159**	2,955,886
Total	**19,594,423**	16,559,463	**14,354,645**	11,364,749

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**938,081**	590,222	**938,081**	590,222
Available-for-sale, at fair value	**8,901,900**	7,475,673	**8,694,150**	7,112,024
Gross securities	**9,839,981**	8,065,895	**9,632,231**	7,702,246
Assets pledged (Note 46.1)	**–**	–	**(543,483)**	–
	9,839,981	8,065,895	**9,088,748**	7,702,246
Other government treasury bills and securities				
Trading, at fair value	**3,327,086**	2,181,384	**2,744,271**	1,756,567
Available-for-sale, at fair value	**14,278,113**	14,119,458	**5,705,569**	5,410,371
Fair value at initial recognition	**31,580**	–	**–**	–
Gross securities	**17,636,779**	16,300,842	**8,449,840**	7,166,938
Assets pledged (Note 46.1)	**(5,878)**	(2,302)	**(5,878)**	(2,302)
	17,630,901	16,298,540	**8,443,962**	7,164,636
Gross securities analysed by geography				
Singapore	**9,839,981**	8,065,895	**9,632,231**	7,702,246
Malaysia	**2,750,856**	2,397,211	**45,366**	59,940
Indonesia	**2,805,815**	2,731,696	**502,942**	81,144
Greater China	**4,048,649**	1,679,728	**2,287,278**	95,387
Other Asia Pacific	**5,297,243**	5,945,051	**5,018,966**	5,802,527
Rest of the World	**2,734,216**	3,547,156	**595,288**	1,127,940
	27,476,760	24,366,737	**18,082,071**	14,869,184

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**2,457,213**	1,857,555	**2,163,130**	1,828,692
Certificate of deposits purchased (Available-for-sale)	**17,746,878**	14,697,957	**9,518,198**	11,655,224
	20,204,091	16,555,512	**11,681,328**	13,483,916
At amortised cost:				
Placements with and loans to banks	**24,931,687**	19,606,693	**20,434,143**	14,792,402
Market bills purchased	**1,497,942**	1,480,917	**1,497,942**	1,480,917
Reverse repos	**2,090,636**	2,015,010	**1,334,420**	1,979,813
	28,520,265	23,102,620	**23,266,505**	18,253,132
Balances with banks	**48,724,356**	39,658,132	**34,947,833**	31,737,048
Assets pledged (Note 46.1)	**(195,160)**	(527,285)	**(191,991)**	(527,285)
Bank balances of life assurance fund – at amortised cost	**848,159**	669,837	**–**	–
	49,377,355	39,800,684	**34,755,842**	31,209,763
Balances with banks analysed:				
By currency				
Singapore Dollar	**960,653**	597,019	**2,126**	28,215
US Dollar	**34,166,592**	27,739,829	**28,993,290**	24,689,205
Malaysian Ringgit	**813,395**	698,226	**30**	24
Indonesian Rupiah	**308,075**	386,358	**2**	2
Japanese Yen	**481,449**	1,079,983	**353,771**	966,981
Hong Kong Dollar	**1,097,732**	2,301,428	**341,111**	1,333,080
British Pound	**1,307,231**	663,549	**1,302,634**	605,567
Australian Dollar	**946,091**	753,580	**944,440**	667,007
Euro	**969,799**	2,879,577	**930,573**	2,847,888
Chinese Renminbi	**6,277,812**	2,252,261	**848,278**	499,721
Others	**1,395,527**	306,322	**1,231,578**	99,358
	48,724,356	39,658,132	**34,947,833**	31,737,048
By geography				
Singapore	**1,390,164**	588,812	**559,222**	78,971
Malaysia	**4,593,798**	4,721,810	**3,624,636**	3,339,974
Indonesia	**819,201**	1,035,997	**501,300**	640,923
Greater China	**34,472,297**	25,422,982	**24,665,874**	21,598,849
Other Asia Pacific	**3,774,023**	4,110,503	**3,573,309**	3,787,313
Rest of the World	**3,674,873**	3,778,028	**2,023,492**	2,291,018
	48,724,356	39,658,132	**34,947,833**	31,737,048

The analysis by geography is determined based on where the credit risk resides.

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Gross loans	**237,321,180**	220,152,185	**145,244,428**	133,597,822
Specific allowances (Note 28)	**(1,236,441)**	(616,478)	**(946,892)**	(321,315)
Portfolio allowances (Note 29)	**(1,416,867)**	(2,240,779)	**(781,049)**	(1,402,752)
Net loans	**234,667,872**	217,294,928	**143,516,487**	131,873,755
Assets pledged (Note 46.1)	**(526,414)**	(464,746)	**–**	–
	234,141,458	216,830,182	**143,516,487**	131,873,755
Bills receivable	**7,797,729**	6,529,439	**6,004,147**	5,318,748
Loans	**226,870,143**	210,765,489	**137,512,340**	126,555,007
Net loans	**234,667,872**	217,294,928	**143,516,487**	131,873,755
26.1 ANALYSED BY CURRENCY				
Singapore Dollar	**85,485,399**	81,260,631	**82,005,799**	78,677,536
US Dollar	**61,444,632**	56,575,722	**39,953,861**	35,710,995
Malaysian Ringgit	**20,481,329**	20,551,673	**90**	100
Indonesian Rupiah	**7,795,329**	7,485,729	**–**	–
Japanese Yen	**1,963,087**	2,232,922	**255,615**	376,979
Hong Kong Dollar	**33,010,680**	30,339,172	**8,156,189**	7,135,843
British Pound	**6,988,482**	5,440,417	**4,391,218**	3,749,379
Australian Dollar	**7,548,011**	5,642,387	**6,304,308**	5,088,370
Euro	**5,292,929**	2,681,588	**2,254,980**	1,025,966
Chinese Renminbi	**4,625,667**	5,182,259	**686,963**	872,513
Others	**2,685,635**	2,759,685	**1,235,405**	960,141
	237,321,180	220,152,185	**145,244,428**	133,597,822
26.2 ANALYSED BY PRODUCT				
Overdrafts	**4,875,295**	5,016,070	**771,498**	843,107
Short-term and revolving loans	**57,786,503**	49,521,159	**22,763,064**	18,635,251
Syndicated and term loans	**73,353,010**	72,091,853	**59,695,120**	59,192,481
Housing and commercial property loans	**72,310,789**	68,210,416	**43,648,865**	39,957,227
Car, credit card and share margin loans	**5,341,737**	5,536,070	**2,957,539**	2,741,431
Others	**23,653,846**	19,776,617	**15,408,342**	12,228,325
	237,321,180	220,152,185	**145,244,428**	133,597,822
26.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**8,073,040**	8,973,562	**5,154,957**	6,319,710
Manufacturing	**12,501,394**	12,697,511	**5,235,364**	4,827,184
Building and construction	**35,436,446**	35,631,618	**25,856,166**	26,953,828
Housing	**64,542,075**	60,149,282	**41,525,764**	37,708,375
General commerce	**29,009,556**	25,348,258	**20,954,937**	17,395,643
Transport, storage and communication	**11,567,639**	11,519,930	**8,271,973**	8,272,744
Financial institutions, investment and holding companies	**37,837,914**	30,491,149	**21,457,864**	16,234,476
Professionals and individuals	**28,703,675**	26,395,601	**10,036,423**	9,726,256
Others	**9,649,441**	8,945,274	**6,750,980**	6,159,606
	237,321,180	220,152,185	**145,244,428**	133,597,822

26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
26.4 ANALYSED BY INTEREST RATE SENSITIVITY				
Fixed				
Singapore	**5,081,001**	7,218,536	**5,042,276**	7,179,911
Malaysia	**2,781,704**	2,836,081	**–**	–
Indonesia	**1,052,579**	1,012,718	**–**	–
Greater China	**6,445,713**	6,872,022	**2,819,277**	2,732,339
Other Asia Pacific	**198,063**	211,097	**198,063**	211,097
Rest of the World	**10,250**	11,455	**10,250**	11,455
	15,569,310	18,161,909	**8,069,866**	10,134,802
Variable				
Singapore	**137,028,337**	123,258,775	**111,291,106**	100,840,725
Malaysia	**25,056,008**	24,652,160	**4,853,990**	5,041,068
Indonesia	**9,532,855**	9,133,817	**–**	–
Greater China	**37,464,189**	34,567,028	**8,358,985**	7,202,731
Other Asia Pacific	**7,195,406**	6,121,765	**7,195,406**	6,121,765
Rest of the World	**5,475,075**	4,256,731	**5,475,075**	4,256,731
	221,751,870	201,990,276	**137,174,562**	123,463,020
Total	**237,321,180**	220,152,185	**145,244,428**	133,597,822

The analysis by interest rate sensitivity is based on where the transactions are booked.

26.5 ANALYSED BY GEOGRAPHY				
Singapore	**99,872,340**	93,580,113	**89,992,765**	85,638,078
Malaysia	**28,231,427**	27,948,239	**4,463,021**	4,525,598
Indonesia	**19,259,046**	18,138,012	**6,881,704**	6,366,067
Greater China	**59,114,039**	53,996,540	**23,167,824**	19,141,056
Other Asia Pacific	**12,753,546**	11,988,045	**10,089,738**	9,170,139
Rest of the World	**18,090,782**	14,501,236	**10,649,376**	8,756,884
	237,321,180	220,152,185	**145,244,428**	133,597,822

The analysis by geography is determined based on where the credit risk resides.

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2017						
Classified loans	**2,324**	**693**	**398**	**3,415**	**(1,230)**	**2,185**
Classified debt securities	**–**	**32**	**3**	**35**	**(13)**	**22**
Classified contingents	**15**	**3**	**–**	**18**	**(4)**	**14**
Total classified assets	**2,339**	**728**	**401**	**3,468**	**(1,247)**	**2,221**
2016						
Classified loans	1,848	548	387	2,783	(610)	2,173
Classified debt securities	35	45	#	80	(26)	54
Classified contingents	19	4	–	23	(4)	19
Total classified assets	1,902	597	387	2,886	(640)	2,246
BANK						
2017						
Classified loans	**1,882**	**528**	**146**	**2,556**	**(943)**	**1,613**
Classified debt securities	**–**	**30**	**#**	**30**	**(8)**	**22**
Classified contingents	**15**	**–**	**–**	**15**	**(4)**	**11**
Total classified assets	**1,897**	**558**	**146**	**2,601**	**(955)**	**1,646**
2016						
Classified loans	1,300	387	148	1,835	(317)	1,518
Classified debt securities	35	–	#	35	–	35
Classified contingents	19	2	–	21	(4)	17
Total classified assets	1,354	389	148	1,891	(321)	1,570

(1) # represents amounts less than $0.5 million.

	GROUP		BANK	
	2017 $ million	2016 $ million	2017 $ million	2016 $ million
27.1 ANALYSED BY PERIOD OVERDUE				
Over 180 days	**1,212**	1,528	**603**	1,000
Over 90 days to 180 days	**257**	337	**167**	184
30 days to 90 days	**313**	248	**234**	160
Less than 30 days	**48**	323	**43**	301
No overdue	**1,638**	450	**1,554**	246
	3,468	2,886	**2,601**	1,891
27.2 ANALYSED BY COLLATERAL TYPE				
Property	**752**	802	**286**	305
Fixed deposit	**3**	3	**2**	3
Stock and shares	**12**	14	**8**	9
Motor vehicles	**2**	4	**1**	1
Secured – Others	**1,848**	1,123	**1,699**	1,010
Unsecured – Corporate and other guarantees	**375**	371	**348**	232
Unsecured – Clean	**476**	569	**257**	331
	3,468	2,886	**2,601**	1,891

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS (continued)

	GROUP		BANK	
	2017 $ million	2016 $ million	2017 $ million	2016 $ million
27.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**317**	170	**250**	99
Manufacturing	**307**	292	**167**	62
Building and construction	**59**	94	**14**	31
Housing	**393**	406	**213**	185
General commerce	**291**	376	**88**	108
Transport, storage and communication	**1,278**	608	**1,176**	571
Financial institutions, investment and holding companies	**412**	482	**388**	472
Professionals and individuals	**146**	170	**62**	96
Others	**265**	288	**243**	267
	3,468	2,886	**2,601**	1,891

27.4 ANALYSED BY GEOGRAPHY

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2017						
Substandard	**772**	**485**	**399**	**74**	**609**	**2,339**
Doubtful	**212**	**335**	**29**	**110**	**42**	**728**
Loss	**148**	**42**	**161**	**48**	**2**	**401**
	1,132	**862**	**589**	**232**	**653**	**3,468**
Specific allowances	**(320)**	**(340)**	**(230)**	**(61)**	**(296)**	**(1,247)**
	812	**522**	**359**	**171**	**357**	**2,221**
2016						
Substandard	404	485	433	219	361	1,902
Doubtful	248	81	120	114	34	597
Loss	148	44	138	56	1	387
	800	610	691	389	396	2,886
Specific allowances	(234)	(121)	(173)	(89)	(23)	(640)
	566	489	518	300	373	2,246
BANK						
2017						
Substandard	**772**	**125**	**376**	**34**	**590**	**1,897**
Doubtful	**210**	**254**	**14**	**42**	**38**	**558**
Loss	**146**	**–**	**–**	**#**	**–**	**146**
	1,128	**379**	**390**	**76**	**628**	**2,601**
Specific allowances	**(315)**	**(204)**	**(113)**	**(28)**	**(295)**	**(955)**
	813	**175**	**277**	**48**	**333**	**1,646**
2016						
Substandard	404	123	403	63	361	1,354
Doubtful	245	–	99	17	28	389
Loss	148	–	–	#	–	148
	797	123	502	80	389	1,891
Specific allowances	(233)	–	(61)	(10)	(17)	(321)
	564	123	441	70	372	1,570

[1] # represents amounts less than $0.5 million.

Non-performing loans ("NPLs"), debt securities and contingents by geography are determined based on where the credit risk resides.

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS (continued)

27.5 RESTRUCTURED/RENEGOTIATED LOANS

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 28.3% (2016: 38.2%) and 34.7% (2016: 53.4%) for the Group and the Bank respectively.

	2017		2016	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**703**	**242**	865	72
Doubtful	**211**	**128**	156	118
Loss	**52**	**42**	42	28
	966	**412**	1,063	218
BANK				
Substandard	**689**	**235**	844	57
Doubtful	**197**	**116**	136	103
Loss	**–**	**–**	–	–
	886	**351**	980	160

28. SPECIFIC ALLOWANCES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	**616,478**	359,993	**321,315**	110,069
Currency translation	**(28,653)**	7,023	**(20,422)**	7,115
Bad debts written off	**(740,933)**	(220,981)	**(583,690)**	(97,813)
Recovery of amounts previously provided for	**(64,668)**	(54,970)	**(37,769)**	(31,486)
Allowances for loans	**1,471,925**	539,185	**1,282,513**	341,132
Net allowances charged to income statements (Note 9)	**1,407,257**	484,215	**1,244,744**	309,646
Interest recognition on impaired loans	**(19,519)**	(17,511)	**(15,055)**	(11,441)
Transfer from other assets	**1,811**	3,739	**–**	3,739
At 31 December (Note 26)	**1,236,441**	616,478	**946,892**	321,315

28. SPECIFIC ALLOWANCES (continued)

ANALYSED BY INDUSTRY

	Cumulative specific allowances		Net specific allowances charged to income statements	
	2017 $ million	2016 $ million	2017 $ million	2016 $ million
GROUP				
Agriculture, mining and quarrying	**134**	15	**175**	22
Manufacturing	**63**	83	**93**	62
Building and construction	**12**	39	**48**	11
Housing	**42**	44	**11**	16
General commerce	**139**	99	**92**	76
Transport, storage and communication	**499**	116	**694**	97
Financial institutions, investment and holding companies	**124**	87	**130**	84
Professionals and individuals	**90**	90	**52**	77
Others	**133**	43	**112**	39
	1,236	616	**1,407**	484
BANK				
Agriculture, mining and quarrying	**132**	6	**165**	24
Manufacturing	**19**	12	**63**	1
Building and construction	**5**	13	**9**	14
Housing	**5**	7	**–**	–
General commerce	**41**	22	**45**	21
Transport, storage and communication	**450**	95	**663**	94
Financial institutions, investment and holding companies	**123**	87	**135**	84
Professionals and individuals	**58**	54	**42**	47
Others	**114**	25	**123**	25
	947	321	**1,245**	310

29. PORTFOLIO ALLOWANCES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	**2,240,779**	2,059,533	**1,402,752**	1,305,541
Currency translation	**(37,908)**	9,780	**(13,049)**	924
(Write-back)/allowances charged to income statements (Note 9)	**(786,004)**	171,466	**(608,654)**	96,287
At 31 December (Note 26)	**1,416,867**	2,240,779	**781,049**	1,402,752

30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trading securities				
Quoted debt securities	**2,813,292**	1,920,867	**2,142,179**	1,343,438
Unquoted debt securities	**2,036,775**	2,214,880	**1,652,324**	1,895,493
Quoted equity securities	**321,935**	229,585	**321,761**	229,092
Quoted investment funds	**185,260**	30,693	**185,241**	30,693
	5,357,262	4,396,025	**4,301,505**	3,498,716
Fair value at initial recognition				
Quoted debt securities	**5,711**	452,854	**–**	–
Unquoted debt securities	**110,299**	12,467	**–**	–
Quoted equity securities	**119,350**	157,404	**–**	–
Quoted investment funds	**3,770**	7,245	**–**	–
	239,130	629,970	**–**	–
Available-for-sale securities				
Quoted debt securities	**11,537,351**	11,036,413	**6,001,654**	5,534,583
Unquoted debt securities	**5,214,446**	5,126,886	**3,106,991**	2,642,221
Quoted equity securities	**1,962,108**	1,463,868	**33,509**	109,215
Unquoted equity securities	**625,350**	275,271	**462,086**	94,865
Quoted investment funds	**442,708**	402,406	**–**	–
Unquoted investment funds	**261,878**	522,698	**58,604**	53,459
	20,043,841	18,827,542	**9,662,844**	8,434,343
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**16,891**	97,714	**16,891**	85,480
Total debt and equity securities				
Debt securities	**21,734,765**	20,862,081	**12,920,039**	11,501,215
Equity securities	**3,028,743**	2,126,128	**817,356**	433,172
Investment funds	**893,616**	963,042	**243,845**	84,152
Total securities	**25,657,124**	23,951,251	**13,981,240**	12,018,539
Assets pledged (Note 46.1)	**(328,087)**	(794,582)	**–**	(406,343)
	25,329,037	23,156,669	**13,981,240**	11,612,196
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**14,608,282**	13,935,692	**9,066,563**	7,828,291
Non-investment grade (BB to C)	**309,126**	413,280	**278,894**	320,323
Non-rated	**6,817,357**	6,513,109	**3,574,582**	3,352,601
	21,734,765	20,862,081	**12,920,039**	11,501,215
By credit quality				
Pass	**21,674,888**	20,752,783	**12,862,063**	11,411,199
Special mention	**34,063**	60,164	**34,063**	60,164
Substandard	**–**	29,852	**–**	29,852
Doubtful	**25,408**	19,282	**23,913**	–
Loss	**406**	–	**–**	–
	21,734,765	20,862,081	**12,920,039**	11,501,215

30. DEBT AND EQUITY SECURITIES (continued)

	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**908,971**	1,166,812	**615,986**	823,087
Manufacturing	**1,844,401**	1,679,849	**1,181,493**	1,060,296
Building and construction	**2,282,357**	2,616,139	**922,082**	1,342,426
General commerce	**720,379**	645,468	**583,468**	513,213
Transport, storage and communication	**1,786,584**	1,698,806	**1,034,150**	863,147
Financial institutions, investment and holding companies	**14,609,594**	13,517,226	**7,660,274**	6,198,296
Others	**3,504,838**	2,626,951	**1,983,787**	1,218,074
	25,657,124	23,951,251	**13,981,240**	12,018,539
By issuer				
Public sector	**2,540,934**	2,429,801	**1,944,343**	1,972,162
Banks	**7,526,217**	7,153,273	**4,200,092**	3,505,538
Corporations	**14,605,210**	13,260,801	**7,778,087**	6,487,193
Others	**984,763**	1,107,376	**58,718**	53,646
	25,657,124	23,951,251	**13,981,240**	12,018,539
By geography				
Singapore	**3,293,593**	3,977,097	**1,340,370**	1,948,808
Malaysia	**1,945,688**	1,926,658	**153,298**	258,904
Indonesia	**1,155,181**	1,127,007	**686,389**	797,618
Greater China	**11,872,018**	8,633,833	**6,729,815**	4,074,237
Other Asia Pacific	**4,976,912**	5,309,439	**3,406,917**	3,035,966
Rest of the World	**2,413,732**	2,977,217	**1,664,451**	1,903,006
	25,657,124	23,951,251	**13,981,240**	12,018,539

The analysis by geography is determined based on country of incorporation.

31. OTHER ASSETS

	GROUP 2017 $'000	GROUP 2016 $'000	BANK 2017 $'000	BANK 2016 $'000
Interest receivable	**967,454**	886,456	**624,417**	552,620
Sundry debtors (net)	**3,083,632**	2,292,116	**31,378**	23,697
Deposits and prepayments	**857,915**	1,071,500	**550,676**	786,447
Others	**741,952**	639,226	**265,475**	228,357
	5,650,953	4,889,298	**1,471,946**	1,591,121

At 31 December 2017, reinsurance assets included in "Others" amounted to $171.8 million (2016: $161.8 million) for the Group.

32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2016	–	63,345	2,525	15,559	81,429
Currency translation	483	(236)	(4)	(193)	50
Amounts written off	(35,026)	–	–	(4,526)	(39,552)
Impairment charge/(write-back) to income statements (Note 9)	34,543	1	(14)	2,178	36,708
Transfers to other accounts	–	–	–	(3,336)	(3,336)
At 31 December 2016/1 January 2017	**–**	**63,110**	**2,507**	**9,682**	**75,299**
Currency translation	**–**	**269**	**(#)**	**(300)**	**(31)**
Amounts written off	**–**	**–**	**–**	**(2,991)**	**(2,991)**
Impairment charge/(write-back) to income statements (Note 9)	**–**	**7**	**(110)**	**9**	**(94)**
Impairment charge to profit from life assurance	**–**	**264**	**–**	**–**	**264**
Transfers to other accounts	**–**	**–**	**–**	**(1,431)**	**(1,431)**
At 31 December 2017	**–**	**63,650**	**2,397**	**4,969**	**71,016**
		(Note 35)	(Note 36)		

[1] # represents amounts less than $500.

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2016	33,787	–	820	2,525	4,178	41,310
Currency translation	–	484	–	–	(21)	463
Amounts written off	(28,517)	(27,155)	–	–	(143)	(55,815)
Impairment charge/(write-back) to income statements (Note 9)	13,354	26,671	–	(128)	219	40,116
Transfers to other accounts	–	–	–	–	(3,739)	(3,739)
At 31 December 2016/1 January 2017	**18,624**	**–**	**820**	**2,397**	**494**	**22,335**
Currency translation	**(339)**	**–**	**–**	**–**	**(8)**	**(347)**
Amounts written off	**(4,779)**	**–**	**–**	**–**	**(251)**	**(5,030)**
Impairment charge to income statements (Note 9)	**12,593**	**–**	**–**	**–**	**37,684**	**50,277**
Transfers to other accounts	**–**	**–**	**–**	**–**	**(37,455)**	**(37,455)**
At 31 December 2017	**26,099**	**–**	**820**	**2,397**	**464**	**29,780**
	(Notes 33-34)		(Note 35)	(Note 36)		

33. ASSOCIATES

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Quoted equity security, at cost	**1,357,689**	1,357,689	**433,197**	433,197
Unquoted equity securities, at cost	**84,183**	224,280	**61,527**	163,534
Allowance for impairment (Note 32)	**–**	–	**(12,032)**	(2,199)
Net carrying value	**1,441,872**	1,581,969	**482,692**	594,532
Share of post-acquisition reserves	**766,567**	812,664	**–**	–
Amounts due from associates (unsecured)	**143,185**	20,835	**131**	–
Investments in and amounts due from associates	**2,351,624**	2,415,468	**482,823**	594,532

33.1 LIST OF PRINCIPAL ASSOCIATES

The Group applied equity method for all its investments in associates.

The Group's principal associates are as follows:

Name of associates	Country of incorporation/ Principal place of business	Nature of the relationship with the Group	Effective % interest held [3] 2017	Effective % interest held [3] 2016
Quoted				
Bank of Ningbo Co., Ltd [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
AVIC Trust Co., Ltd [2] (Note 33.2)	People's Republic of China	Provides professional financial and asset management services, which enable the Group to enhance its Greater China presence.	**–**	20
Network for Electronic Transfers (Singapore) Pte Ltd [1]	Singapore	Provides electronic payment services, which enables the Group to extend funds transfer services to its broad customer base.	**33**	33

(1) Audited by Ernst & Young.
(2) Audited by Grant Thornton.
(3) Rounded to the nearest percentage.

As at 31 December 2017, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $3,707.2 million (2016: $2,700.5 million), and the carrying amount of the Group's interests was $2,070.3 million (2016: $1,892.6 million).

As Bank of Ningbo is a listed bank on the Shenzhen Stock Exchange, the entity's ability to transfer funds to the Group is subject to local listing and statutory regulations.

33.2 DILUTION OF INTEREST IN AN ASSOCIATE

In November 2017, AVIC Trust Co., Ltd ("AVICT") increased its registered capital by issuing shares via a private placement. As a result, the Group's interest in AVICT was diluted from 20% to 17%. With the dilution of interest, AVICT is no longer an associated company of the Group, and has been reclassified as an available-for-sale ("AFS") equity security.

33. ASSOCIATES (continued)

33.3 FINANCIAL INFORMATION OF MATERIAL ASSOCIATES

The table below provides the financial information of the Group's material associates:

	Bank of Ningbo Co., Ltd		AVIC Trust Co., Ltd	
$ million	**2017**	**2016**	**2017**	**2016**
Selected income statement information				
Revenue	**5,157**	4,862	**–**	496
Profit or loss from continuing operations	**1,909**	1,625	**–**	270
Other comprehensive income	**(575)**	(115)	**–**	–
Total comprehensive income	**1,334**	1,510	**–**	270
Selected balance sheet information				
Current assets	**149,573**	111,690	**–**	420
Non-current assets	**61,333**	72,377	**–**	1,385
Current liabilities	**(172,372)**	(159,017)	**–**	(492)
Non-current liabilities	**(26,778)**	(14,560)	**–**	–
Net assets	**11,756**	10,490	**–**	1,313
Non-controlling interests	**(24)**	(23)	**–**	–
Preference shares/other equity instruments issued	**(1,381)**	(1,004)	**–**	–
Net assets attributable to ordinary shareholders	**10,351**	9,463	**–**	1,313
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements				
Group's interests in net assets of investee at beginning of the year	**1,893**	1,751	**264**	228
Group's share of:				
– profit from continuing operations	**381**	324	**52**	54
– other comprehensive income	**(149)**	(112)	**(2)**	(11)
– total comprehensive income	**232**	212	**50**	43
Dividends	**(55)**	(70)	**–**	(7)
Reclassify to AFS equity security (Note 33.2)	**–**	–	**(314)**	–
Carrying amount of interest in investee at end of the year	**2,070**	1,893	**–**	264
Dividends received during the year	**55**	70	**–**	34 [1]

[1] The dividends from AVIC Trust Co., Ltd declared in financial year 2015 and 2016 were received in financial year 2016.

In addition to the interests in associates disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

	2017 $ million	**2016 $ million**
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**138**	238
For the year ended:		
Aggregate amounts of the Group's share of:		
Profit or loss from continuing operations	**(44)**	18
Other comprehensive income	**5**	(12)
Total comprehensive income	**(39)**	6

33. ASSOCIATES (continued)

The Group's share of contingent liabilities in respect of all its associates is as follows:

	2017 $ million	2016 $ million
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**4,126**	3,888

34. SUBSIDIARIES

	BANK	
	2017 $'000	2016 $'000
Investments in subsidiaries, at cost		
Quoted securities (Note 34.3)	**1,970,185**	1,953,107
Unquoted securities	**12,893,583**	13,426,177
Allowance for impairment (Note 32)	**(14,067)**	(16,425)
Net carrying value	**14,849,701**	15,362,859
Unsecured loans and receivables	**19,373,215**	8,364,400
Secured loans and receivables	**601,000**	606,000
Amount due from subsidiaries	**19,974,215**	8,970,400
Investments in and amount due from subsidiaries	**34,823,916**	24,333,259

At 31 December 2017, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $11,502.7 million (2016: $8,435.3 million) and $1,811.8 million (2016: $1,792.1 million) respectively.

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34. SUBSIDIARIES (continued)

34.1 LIST OF PRINCIPAL SUBSIDIARIES

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) [3] 2017	2016	Proportion of ownership interests and voting rights held by non-controlling interests (%) [3] 2017	2016
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk [1]	Indonesia	**85**	85	**15**	15
Insurance					
Great Eastern General Insurance Limited (formerly The Overseas Assurance Corporation Limited) [2]	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (Malaysia) Berhad (formerly Overseas Assurance Corporation (Malaysia) Berhad) [2]	Malaysia	**88**	88	**12**	12
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited [2]	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited [2]	Singapore	**92**	91	**8**	9
Great Eastern Holdings Limited [2]	Singapore	**88**	88	**12**	12
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.

(1) Audited by PricewaterhouseCoopers.

(2) Audited by Ernst & Young.

(3) Rounded to the nearest percentage.

The Group's subsidiaries do not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from their respective local statutory, regulatory, supervisory and banking requirements within which its subsidiaries operate. These requirements require the Group's subsidiaries to maintain minimum levels of regulatory capital, liquid assets, and exposure limits. In addition, Great Eastern Holdings Limited and other insurance subsidiaries are subject to their respective local insurance laws and regulations, while the Group's banking subsidiaries are subject to prudential regulatory requirements imposed by local regulators.

34. SUBSIDIARIES (continued)

34.2 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material non-controlling interests ("NCI").

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	**2017**	**2016**	**2017**	**2016**
Net assets attributable to NCI	**317**	291	**924**	816
Total comprehensive income attributable to NCI	**26**	41	**146**	74
Dividends paid to NCI during the year	**–**	–	**29**	32
Summarised financial information				
Total assets	**14,769**	14,383	**84,562**	71,123
Total liabilities	**(12,647)**	(12,435)	**(76,931)**	(64,459)
Total net assets	**2,122**	1,948	**7,631**	6,664
Revenue	**801**	728	**1,590**	944
Profit	**339**	179	**1,167**	599
Other comprehensive income	**(165)**	93	**42**	9
Total comprehensive income	**174**	272	**1,209**	608
Cash flows from/(used in) operating activities	**(34)**	1,176	**6,570**	3,134
Cash flows from/(used in) investing activities	**208**	(1,583)	**(4,968)**	(2,434)
Cash flows from/(used in) financing activities	**135**	(460)	**(241)**	(260)
Effect of currency translation reserve adjustment	**–**	–	**477**	(404)
Net changes in cash and cash equivalents	**309**	(867)	**1,838**	36

34.3 ACQUISITION OF NON-CONTROLLING INTERESTS

During the year, the Bank acquired 685,400 shares in Great Eastern Holdings Limited ("GEH"), a subsidiary listed on the Singapore Exchange Securities Trading Limited, at $24.90 per share for a total cash consideration of $17.1 million. Consequently, the Group's interest in GEH increased from 87.8% to 87.9%. The Group recognised a decrease in non-controlling interests of $9.9 million and a corresponding $7.2 million decrease in the revenue reserves.

34.4 ACQUISITION OF PRIVATE WEALTH BUSINESS OF NATIONAL AUSTRALIA BANK

In May 2017, the Bank, together with its wholly-owned subsidiary OCBC Wing Hang Bank Limited, entered into an agreement to acquire National Australia Bank's ("NAB") Private Wealth business in Singapore and Hong Kong. The business comprised a mortgage portfolio of mainly residential mortgage loans, and a deposit portfolio of deposits of a mix of currencies.

In November 2017, the Group completed the acquisition, which added S$2.06 billion in loans and S$2.42 billion in deposits to the OCBC franchise.

Total cash received in November 2017 based on estimated net liabilities assumed was S$0.40 billion. Final settlement was completed in January 2018.

34. SUBSIDIARIES (continued)

34.5 ACQUISITION OF WEALTH AND INVESTMENT MANAGEMENT BUSINESS OF BARCLAYS BANK PLC

In April 2016, the Bank, through its wholly-owned subsidiary, Bank of Singapore Limited ("BOS"), entered into an agreement to acquire the Wealth and Investment Management business of Barclays Bank PLC ("Barclays WIM") in Singapore and Hong Kong.

In November 2016, the acquisition of Barclays WIM was completed and the assets and liabilities of Barclays WIM were novated to BOS. On the same day, BOS received cash of USD2,084 million (S$2,971 million) on Barclays WIM's estimate of net liabilities transferred and received cash of USD18 million (S$26 million) in 2017 for the assets acquired (comprising loans and advances to non-bank customers) of USD2,357 million (S$3,359 million) and liabilities assumed (comprising deposits of non-bank customers) of USD4,459 million (S$6,356 million). Total consideration paid was USD224.9 million (S$320.6 million).

Upon finalisation, the Group recorded goodwill of USD167.8 million (S$234.4 million) and intangibles of USD59.0 million (S$82.4 million).

Full details are set out in the financial statements for the year ended 31 December 2016.

34.6 DISPOSAL OF INTERESTS IN SUBSIDIARIES

In June 2017, the Group completed the sale of its entire 100% equity interests in Banking Computer Services Private Limited ("BCS") and BCS Information Systems Pte Ltd ("BCSIS") to Network for Electronic Transfers (Singapore) Pte Ltd ("NETS") for an aggregate cash consideration of $38.0 million. The Bank has a 33.3% shareholding interest in NETS. Accordingly, BCS and BCSIS ceased to be subsidiaries of the Group.

The value of the identifiable assets and liabilities of BCS and BCSIS as at 6 June 2017 and the cash flow effect of the disposal comprised the following:

$ million	2017
Identifiable assets and liabilities	
Placements with banks	16.2
Other assets	40.6
Property, plant and equipment	14.2
Total assets	71.0
Other liabilities	(52.0)
Carrying value of net assets	19.0
Cash consideration received	38.0
Carrying value of net assets derecognised	(19.0)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on disposal	(0.4)
Gain on disposal	18.6

34.7 CONSOLIDATED STRUCTURED ENTITIES

The Bank has established a USD10 billion Global Covered Bond Programme ("the Programme"). Under the Programme, the Bank may from time to time issue covered bonds ("the Covered Bonds"). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. ("the CBG"). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore home loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

35. PROPERTY, PLANT AND EQUIPMENT

	2017				2016			
GROUP ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	**3,306,248**	**1,940,594**	**631,844**	**5,878,686**	3,259,086	1,758,871	610,536	5,628,493
Currency translation	**(137,948)**	**(7,263)**	**(7,284)**	**(152,495)**	25,371	5,581	(1,657)	29,295
Additions	**25,887**	**212,295**	**24,062**	**262,244**	13,748	269,032	42,413	325,193
Disposal of subsidiaries	**–**	**(43,836)**	**(10,971)**	**(54,807)**	–	–	–	–
Disposals and other transfers	**(8,527)**	**(86,237)**	**(50,955)**	**(145,719)**	(4,674)	(92,890)	(19,423)	(116,987)
Net transfer (to)/from:								
Assets held for sale	**(3,966)**	**–**	**–**	**(3,966)**	–	–	(25)	(25)
Investment property (Note 36)	**102,638**	**–**	**–**	**102,638**	12,717	–	–	12,717
At 31 December	**3,284,332**	**2,015,553**	**586,696**	**5,886,581**	3,306,248	1,940,594	631,844	5,878,686
Accumulated depreciation								
At 1 January	**(582,244)**	**(1,286,249)**	**(468,427)**	**(2,336,920)**	(499,035)	(1,172,944)	(426,243)	(2,098,222)
Currency translation	**11,707**	**184**	**4,024**	**15,915**	(1,370)	(4,884)	1,554	(4,700)
Disposal of subsidiaries	**–**	**31,223**	**9,501**	**40,724**	–	–	–	–
Disposals and other transfers	**1,502**	**84,091**	**55,130**	**140,723**	(67)	91,213	15,609	106,755
Depreciation charge	**(69,037)**	**(179,840)**	**(41,452)**	**(290,329)**	(66,058)	(165,601)	(52,544)	(284,203)
Depreciation charge to profit from life assurance (Note 4)	**(12,050)**	**(48,495)**	**(5,685)**	**(66,230)**	(12,264)	(34,033)	(6,818)	(53,115)
Net transfer to/(from):								
Assets held for sale	**102**	**–**	**–**	**102**	–	–	15	15
Investment property (Note 36)	**5,203**	**–**	**–**	**5,203**	(3,450)	–	–	(3,450)
At 31 December	**(644,817)**	**(1,399,086)**	**(446,909)**	**(2,490,812)**	(582,244)	(1,286,249)	(468,427)	(2,336,920)
Accumulated impairment losses (Note 32)								
At 1 January	**(62,511)**	**(63)**	**(536)**	**(63,110)**	(62,747)	(63)	(535)	(63,345)
Currency translation	**(269)**	**–**	**–**	**(269)**	236	–	–	236
Impairment charge to income statements	**–**	**–**	**(7)**	**(7)**	–	–	(1)	(1)
Impairment charge to profit from life assurance	**(264)**	**–**	**–**	**(264)**	–	–	–	–
At 31 December	**(63,044)**	**(63)**	**(543)**	**(63,650)**	(62,511)	(63)	(536)	(63,110)
Net carrying value, at 31 December	**2,576,471**	**616,404**	**139,244**	**3,332,119**	2,661,493	654,282	162,881	3,478,656
Freehold property	**436,673**				479,494			
Leasehold property	**2,139,798**				2,181,999			
Net carrying value	**2,576,471**				2,661,493			
Fair value hierarchy								
Level 2	**523,787**				276,795			
Level 3	**4,337,110**				4,421,314			
Market value	**4,860,897**				4,698,109			

35. PROPERTY, PLANT AND EQUIPMENT (continued)

	2017				2016			
BANK ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	**357,002**	**998,545**	**174,768**	**1,530,315**	262,963	902,407	172,137	1,337,507
Currency translation	**8**	**(146)**	**(381)**	**(519)**	11	23	(211)	(177)
Additions	**74**	**100,581**	**5,173**	**105,828**	94,871	131,823	10,085	236,779
Disposals and other transfers	**–**	**(6,668)**	**(2,073)**	**(8,741)**	–	(35,708)	(7,243)	(42,951)
Net transfer to investment property (Note 36)	**(18,701)**	**–**	**–**	**(18,701)**	(843)	–	–	(843)
At 31 December	**338,383**	**1,092,312**	**177,487**	**1,608,182**	357,002	998,545	174,768	1,530,315
Accumulated depreciation								
At 1 January	**(87,693)**	**(661,613)**	**(131,340)**	**(880,646)**	(80,836)	(596,578)	(123,147)	(800,561)
Currency translation	**(5)**	**116**	**327**	**438**	(8)	(19)	207	180
Disposals and other transfers	**–**	**6,592**	**1,984**	**8,576**	–	35,518	5,902	41,420
Depreciation charge	**(7,752)**	**(108,768)**	**(11,882)**	**(128,402)**	(7,249)	(100,534)	(14,302)	(122,085)
Net transfer to investment property (Note 36)	**7,035**	**–**	**–**	**7,035**	400	–	–	400
At 31 December	**(88,415)**	**(763,673)**	**(140,911)**	**(992,999)**	(87,693)	(661,613)	(131,340)	(880,646)
Accumulated impairment losses (Note 32)								
At 1 January/31 December	**(820)**	**–**	**–**	**(820)**	(820)	–	–	(820)
Net carrying value, at 31 December	**249,148**	**328,639**	**36,576**	**614,363**	268,489	336,932	43,428	648,849

	2017	2016
Freehold property	**44,436**	56,265
Leasehold property	**204,712**	212,224
Net carrying value	**249,148**	268,489
Fair value hierarchy		
Level 2	**366,205**	227,368
Level 3	**280,119**	431,325
Market value	**646,324**	658,693

Market values for properties under Level 2 of the fair value hierarchy are determined based on the direct market comparison method. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of direct market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

36. INVESTMENT PROPERTY

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cost				
At 1 January	**1,302,538**	1,356,228	**643,098**	676,183
Currency translation	**(5,728)**	(1,558)	**(478)**	374
Additions	**1,095**	96,853	**882**	3
Disposals and other transfers	**(11,615)**	(92,947)	**(5,273)**	(32,427)
Net transfer (to)/from:				
Property, plant and equipment (Note 35)	**(102,638)**	(12,717)	**18,701**	843
Assets held for sale	**(3,104)**	(43,321)	**(2,592)**	(1,878)
At 31 December	**1,180,548**	1,302,538	**654,338**	643,098
Accumulated depreciation				
At 1 January	**(207,113)**	(215,842)	**(108,900)**	(112,725)
Currency translation	**1,094**	451	**203**	(155)
Disposals and other transfers	**5,649**	13,448	**2,167**	12,939
Depreciation charge	**(24,364)**	(23,916)	**(9,123)**	(9,287)
Net transfer to/(from):				
Property, plant and equipment (Note 35)	**(5,203)**	3,450	**(7,035)**	(400)
Assets held for sale	**1,252**	15,296	**1,002**	728
At 31 December	**(228,685)**	(207,113)	**(121,686)**	(108,900)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,507)**	(2,525)	**(2,397)**	(2,525)
Currency translation	**#**	4	**–**	–
Write-back to income statements	**110**	14	**–**	128
At 31 December	**(2,397)**	(2,507)	**(2,397)**	(2,397)
Net carrying value				
Freehold property	**627,262**	634,753	**200,533**	193,828
Leasehold property	**322,204**	458,165	**329,722**	337,973
At 31 December	**949,466**	1,092,918	**530,255**	531,801
Fair value hierarchy				
Level 2	**1,144,470**	1,090,756	**384,664**	264,198
Level 3	**1,847,598**	2,138,084	**1,061,275**	1,214,956
Market value	**2,992,068**	3,228,840	**1,445,939**	1,479,154

(1) # represents amounts less than $500.

A description of the valuation methods is provided in Note 35.

37. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Goodwill				
At 1 January	**4,707,448**	4,341,421	**1,867,176**	1,867,176
Acquisitions (Note 34.5)	**(72,888)**	313,467	**–**	–
Amounts written off	**(3,267)**	(858)	**–**	–
Currency translation	**(180,503)**	53,418	**–**	–
At 31 December	**4,450,790**	4,707,448	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**765,398**	853,810		
Acquisitions (Note 34.5)	**82,414**	–		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(41,760)**	(42,197)		
– Customer relationships [2]	**(15,433)**	(7,431)		
– Life assurance business [3]	**(46,636)**	(46,636)		
Currency translation	**(34,933)**	7,852		
At 31 December	**709,050**	765,398		
Total goodwill and intangible assets	**5,159,840**	5,472,846	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,450,790**	4,707,448	**1,867,176**	1,867,176
Intangible assets, at cost	**1,559,718**	1,529,144	**–**	–
Accumulated amortisation for intangible assets	**(850,668)**	(763,746)	**–**	–
	5,159,840	5,472,846	**1,867,176**	1,867,176

(1) Core deposit relationships, arising from the acquisition of OCBC Wing Hang, are determined to have an estimated useful life of 10 years. At 31 December 2017, these have a remaining useful life of 6.5 years (2016: 7.5 years).

(2) Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2017, these have a remaining useful life of up to 9 years (2016: 4 years).

(3) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2017, the intangible asset has a remaining useful life of 7 years (2016: 8 years).

37. GOODWILL AND INTANGIBLE ASSETS (continued)

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 2017 $'000	Carrying value 2016 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844,497**	844,497
Global Corporate Banking		**570,000**	570,000
Global Treasury		**524,000**	524,000
	Value-in-use	**1,938,497**	1,938,497
Great Eastern Holdings Limited	Appraisal value	**427,460**	427,460
Bank of Singapore Limited	Value-in-use	**805,396**	946,741
Lion Global Investors Limited	Value-in-use	**29,635**	29,635
OCBC Wing Hang Bank Limited	Value-in-use	**1,059,921**	1,155,603
PT Bank OCBC NISP Tbk	Value-in-use	**182,580**	200,373
Others	Value-in-use	**7,301**	9,139
		4,450,790	4,707,448

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 cash flow projections are discounted at a pre-tax discount rate that includes a reasonable risk premium at the date of assessment of the respective CGU. 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 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. The discount rates and terminal growth rates used are tabulated below for applicable CGUs.

	Banking CGU		Bank of Singapore Limited		OCBC Wing Hang Bank Limited		PT Bank OCBC NISP Tbk	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	**8.3%**	10.8%	**10.2%**	10.8%	**9.8%**	10.8%	**12.3%**	12.3%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**3.0%**	4.0%	**4.0%**	5.0%

For the insurance CGU, the Group 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 7.00% (2016: 7.25%) and 8.75% (2016: 9.0%) 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.

38. SEGMENT INFORMATION

38.1 BUSINESS SEGMENTS

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2017							
Total income	3,210	3,033	754	967	1,590	81	9,635
Operating profit before allowances and amortisation	1,312	1,994	493	415	1,328	60	5,602
Amortisation of intangible assets	(15)	–	–	(42)	(47)	–	(104)
(Allowances and impairment)/write-back for loans and other assets	(67)	(574)	(11)	(3)	(17)	1	(671)
Operating profit after allowances and amortisation	1,230	1,420	482	370	1,264	61	4,827
Other information:							
Capital expenditure	33	2	#	13	59	156	263
Depreciation	43	10	1	66	5	190	315
At 31 December 2017							
Segment assets	106,529	126,157	83,012	55,874	85,311	15,068	471,951
Unallocated assets							937
Elimination							(17,950)
Total assets							454,938
Segment liabilities	117,193	111,163	55,415	48,251	75,019	21,387	428,428
Unallocated liabilities							2,684
Elimination							(17,950)
Total liabilities							413,162
Other information:							
Gross non-bank loans	91,144	118,242	1,519	31,285	42	(4,911)	237,321
NPAs (include debt securities)	559	2,847	–	157	5	(100)	3,468

(1) # represents amounts less than $0.5 million.

38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2016							
Total income	2,722	3,024	708	919	944	172	8,489
Operating profit before allowances and amortisation	1,017	1,987	444	415	726	112	4,701
Amortisation of intangible assets	(7)	–	–	(42)	(47)	–	(96)
(Allowances and impairment)/write-back for loans and other assets	(103)	(454)	1	(11)	(17)	(142)	(726)
Operating profit after allowances and amortisation	907	1,533	445	362	662	(30)	3,879
Other information:							
Capital expenditure	44	2	#	17	54	305	422
Depreciation	43	11	2	64	3	185	308
At 31 December 2016							
Segment assets	104,482	115,471	72,186	50,075	71,912	18,011	432,137
Unallocated assets							1,005
Elimination							(23,258)
Total assets							409,884
Segment liabilities	116,963	104,612	49,553	42,212	62,951	14,969	391,260
Unallocated liabilities							2,240
Elimination							(23,258)
Total liabilities							370,242
Other information:							
Gross non-bank loans	83,802	110,111	1,384	30,389	52	(5,586)	220,152
NPAs (include debt securities)	573	2,222	–	268	10	(187)	2,886

(1) # represents amounts less than $0.5 million.

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, OCBC Wing Hang and Insurance.

Global Consumer/Private Banking
Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Corporate/Investment Banking
Global Corporate/Investment Banking serves institutional 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 and custodian services. Investment Banking offers a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

OCBC Wing Hang

OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by the Bank's subsidiary Great Eastern Holdings Limited and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

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

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.

38.2 GEOGRAPHICAL SEGMENTS

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2017					
Singapore	**5,791**	**2,878**	**169**	**257,558**	**255,228**
Malaysia	**1,327**	**705**	**53**	**62,914**	**51,481**
Indonesia	**808**	**449**	**24**	**15,378**	**12,655**
Greater China	**1,326**	**978**	**15**	**85,758**	**56,721**
Other Asia Pacific	**162**	**119**	**1**	**13,399**	**8,276**
Rest of the World	**221**	**87**	**1**	**19,931**	**28,801**
	9,635	**5,216**	**263**	**454,938**	**413,162**
2016					
Singapore	4,908	2,154	307	229,752	227,113
Malaysia	1,314	802	59	60,412	49,261
Indonesia	731	226	28	14,946	12,727
Greater China	1,250	934	24	75,563	54,720
Other Asia Pacific	141	84	1	12,007	7,056
Rest of the World	145	75	3	17,204	19,365
	8,489	4,275	422	409,884	370,242

The Group's operations are in six main geographical areas. 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.

39. RISK MANAGEMENT

39.1 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.

39.2 CREDIT RISK

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Gross		Average	
$ million	2017	2016	2017	2016
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**234,141**	216,830	**224,653**	206,241
Placements with and loans to banks	**49,377**	39,801	**43,996**	39,524
Government treasury bills and securities	**27,471**	24,364	**26,976**	24,482
Debt securities	**21,407**	20,067	**21,115**	20,030
Amounts due from associates	**143**	21	**106**	21
Assets pledged	**1,056**	1,789	**1,915**	1,805
Derivative receivables	**6,386**	7,838	**6,097**	6,267
Other assets, comprising interest receivables and sundry debtors	**4,051**	3,179	**3,832**	3,134
	344,032	313,889	**328,690**	301,504
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**10,504**	11,145	**10,275**	9,404
Credit commitments	**128,848**	119,152	**122,375**	111,042
	139,352	130,297	**132,650**	120,446
Total maximum credit risk exposure	**483,384**	444,186	**461,340**	421,950

Collaterals

The main types of collaterals 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 derivatives, cash and securities;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities including those of Singapore, Malaysia and Hong Kong; and
- For other loans, securities and charges over business assets such as premises, inventories, trade receivables or deposits.

73% of the loans and bills receivables as at 31 December 2017 (2016: 74%) are backed by collaterals and credit enhancements. The financial effect of collaterals and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

39. RISK MANAGEMENT (continued)

39.2 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". Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	**2017**	**2016**	**2017**	**2016**
Neither past due nor impaired	**48,724**	39,658	**232,020**	215,778
Not impaired	**–**	–	**2,742**	2,737
Impaired	**–**	–	**1,208**	1,505
Past due loans	**–**	–	**3,950**	4,242
Impaired but not past due	**–**	–	**1,351**	132
Gross loans	**48,724**	39,658	**237,321**	220,152
Specific allowances	**–**	–	**(1,236)**	(616)
Portfolio allowances	**–**	–	**(1,417)**	(2,241)
Net loans	**48,724**	39,658	**234,668**	217,295

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:

	Bank loans		Non-bank loans	
$ million	**2017**	**2016**	**2017**	**2016**
Grades				
Satisfactory and special mention	**48,724**	39,658	**231,796**	215,484
Substandard but not impaired	**–**	–	**224**	294
Neither past due nor impaired	**48,724**	39,658	**232,020**	215,778

Past due loans

Analysis of past due loans by industry and geography are as follows:

	Bank loans		Non-bank loans	
$ million	**2017**	**2016**	**2017**	**2016**
By industry				
Agriculture, mining and quarrying	**–**	–	**115**	130
Manufacturing	**–**	–	**303**	352
Building and construction	**–**	–	**156**	138
General commerce	**–**	–	**257**	389
Transport, storage and communication	**–**	–	**469**	570
Financial institutions, investment and holding companies	**–**	–	**358**	452
Professionals and individuals (include housing)	**–**	–	**2,074**	1,802
Others	**–**	–	**218**	409
	–	–	**3,950**	4,242
By geography				
Singapore	**–**	–	**1,283**	1,638
Malaysia	**–**	–	**822**	649
Indonesia	**–**	–	**742**	890
Greater China	**–**	–	**931**	769
Rest of the World	**–**	–	**172**	296
	–	–	**3,950**	4,242

39. RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

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	2017	2016
Past due		
Less than 30 days	**1,229**	1,122
30 to 90 days	**985**	944
Over 90 days	**528**	671
Past due but not impaired	**2,742**	2,737

Impaired loans and allowances

Non-bank loans that are individually determined to be impaired as at the reporting date are as follows:

$ million	2017	2016
Business segment		
Global Consumer Financial Services	**304**	318
Global Corporate Banking	**2,159**	1,198
OCBC Wing Hang	**68**	96
Others	**7**	7
Individually impaired loans	**2,538**	1,619

Details on non-performing loans are set out in Note 27. The movements of specific and portfolio allowances account for loans are set out in Notes 28 and 29 respectively.

Collaterals and other credit enhancements obtained

Assets amounting to $29 million (2016: $28 million) were obtained by the Group during the year by taking possession of collaterals held as security, or by calling upon other credit enhancements and held at the reporting date.

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.

39. RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

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:

$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure [1]					
31 December 2017					
Hong Kong SAR	**16,538**	**136**	**14,401**	**31,075**	**8.2**
People's Republic of China	**10,348**	**58**	**11,667**	**22,073**	**5.8**
Malaysia	**5,953**	**58**	**9,523**	**15,534**	**4.1**
Indonesia	**2,761**	**1,278**	**10,613**	**14,652**	**3.8**
United States	**2,437**	**2,601**	**2,537**	**7,575**	**2.0**
Japan	**2,347**	**1,989**	**1,763**	**6,099**	**1.6**
United Arab Emirates	**1,495**	**–**	**4,022**	**5,517**	**1.4**
United Kingdom	**2,835**	**16**	**2,099**	**4,950**	**1.3**
31 December 2016					
Hong Kong SAR	15,141	104	12,765	28,010	8.1
Malaysia	6,640	70	8,824	15,534	4.5
People's Republic of China	5,816	51	7,882	13,749	4.0
Indonesia	3,408	545	9,154	13,107	3.8
British Virgin Islands	–	–	8,615	8,615	2.5
Japan	2,716	2,331	1,380	6,427	1.8
United States	1,818	2,331	1,936	6,085	1.7
United Kingdom	3,104	16	2,759	5,879	1.7
Australia	3,627	#	1,694	5,321	1.5
Luxembourg	3,438	–	176	3,614	1.0

(1) Assets (excluding life assurance fund investment assets) of $381,011 million (2016: $347,911 million).

(2) # represents amounts less than $0.5 million.

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT

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:
- 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.

39. RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

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, except for trading portfolio liabilities which is in accordance with the Group's trading strategies.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
2017								
Cash and placements with central banks	8,866	2,740	1,721	–	–	882	5,385	19,594
Placements with and loans to banks	6,358	9,002	15,457	14,301	–	–	3,606	48,724
Loans and bills receivable [1]	49,877	62,979	86,532	27,136	3,954	1,457	2,733	234,668
Securities [2]	588	3,608	7,839	12,931	11,429	11,025	5,714	53,134
Derivative receivables	–	–	–	–	–	–	6,386	6,386
Other assets	645	10	1	1	17	44	4,933	5,651
Amounts due from associates	–	102	41	–	–	–	–	143
Financial assets	66,334	78,441	111,591	54,369	15,400	13,408	28,757	368,300
Deposits of non-bank customers	39,855	47,961	65,548	90,946	4,302	685	34,345	283,642
Deposits and balances of banks	1,847	1,280	1,466	132	–	–	2,760	7,485
Trading portfolio liabilities	–	–	585	–	–	–	37	622
Derivative payables	–	–	–	–	–	–	6,454	6,454
Other liabilities [3]	33	9	104	69	–	–	6,070	6,285
Debt issued	1,343	3,585	12,388	8,444	2,320	4,152	3	32,235
Financial liabilities	43,078	52,835	80,091	99,591	6,622	4,837	49,669	336,723
On-balance sheet sensitivity gap	23,256	25,606	31,500	(45,222)	8,778	8,571		
Off-balance sheet sensitivity gap	(196)	2,289	1,466	(4,654)	1,096	(1)		
Net interest sensitivity gap	23,060	27,895	32,966	(49,876)	9,874	8,570		
2016								
Cash and placements with central banks	5,888	2,935	260	1,144	418	866	5,048	16,559
Placements with and loans to banks	5,168	6,723	11,418	14,537	145	–	1,667	39,658
Loans and bills receivable [1]	53,858	59,900	70,879	23,500	6,279	2,792	87	217,295
Securities [2]	546	2,942	8,587	11,787	12,346	9,007	3,103	48,318
Derivative receivables	–	–	–	–	–	–	7,838	7,838
Other assets	634	7	#	14	#	37	4,197	4,889
Amounts due from associates	21	–	–	–	–	–	–	21
Financial assets	66,115	72,507	91,144	50,982	19,188	12,702	21,940	334,578
Deposits of non-bank customers	65,552	37,400	85,170	32,670	4,988	1,776	33,930	261,486
Deposits and balances of banks	3,685	2,697	1,628	394	–	–	2,336	10,740
Trading portfolio liabilities	–	–	532	–	–	–	66	598
Derivative payables	–	–	–	–	–	–	7,474	7,474
Other liabilities [3]	12	16	79	93	–	–	5,596	5,796
Debt issued	1,083	1,696	4,456	6,382	3,615	2,701	14	19,947
Financial liabilities	70,332	41,809	91,865	39,539	8,603	4,477	49,416	306,041
On-balance sheet sensitivity gap	(4,217)	30,698	(721)	11,443	10,585	8,225		
Off-balance sheet sensitivity gap	388	1,888	2,346	(3,349)	(102)	(1,171)		
Net interest sensitivity gap	(3,829)	32,586	1,625	8,094	10,483	7,054		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other liabilities include amounts due to associates.
(4) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk (continued)
The significant 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 Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $436 million (2016: $580 million), or approximately +8.0% (2016: +11.5%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $446 million (2016: $522 million) in net interest income, or approximately -8.2% (2016: -10.3%) of reported net interest income.

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 Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global 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.

39. RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen and Sterling Pound.

$ million	SGD	USD	MYR	HKD	Others	Total
2017						
Cash and placements with central banks	**9,040**	**3,368**	**2,132**	**305**	**4,749**	**19,594**
Placements with and loans to banks	**961**	**34,167**	**813**	**1,098**	**11,685**	**48,724**
Loans and bills receivable	**84,827**	**60,475**	**20,116**	**32,782**	**36,468**	**234,668**
Securities [1]	**13,639**	**13,569**	**4,271**	**1,556**	**20,099**	**53,134**
Derivative receivables	**1,886**	**2,559**	**82**	**551**	**1,308**	**6,386**
Other assets	**3,074**	**983**	**734**	**313**	**547**	**5,651**
Amounts due from associates	**–**	**–**	**–**	**–**	**143**	**143**
Financial assets	**113,427**	**115,121**	**28,148**	**36,605**	**74,999**	**368,300**
Deposits of non-bank customers	**97,665**	**93,415**	**22,364**	**28,640**	**41,558**	**283,642**
Deposits and balances of banks	**798**	**4,635**	**242**	**595**	**1,215**	**7,485**
Trading portfolio liabilities	**586**	**6**	**–**	**30**	**–**	**622**
Derivative payables	**1,866**	**2,465**	**154**	**514**	**1,455**	**6,454**
Other liabilities [2]	**2,746**	**1,608**	**612**	**526**	**793**	**6,285**
Debt issued	**457**	**21,778**	**228**	**327**	**9,445**	**32,235**
Financial liabilities	**104,118**	**123,907**	**23,600**	**30,632**	**54,466**	**336,723**
Net financial assets/(liabilities) exposure [3]	**9,309**	**(8,786)**	**4,548**	**5,973**	**20,533**	
2016						
Cash and placements with central banks	6,813	2,027	2,507	173	5,039	16,559
Placements with and loans to banks	597	27,740	698	2,301	8,322	39,658
Loans and bills receivable	80,002	56,245	20,140	30,103	30,805	217,295
Securities [1]	12,269	14,663	3,697	1,499	16,190	48,318
Derivative receivables	2,228	4,024	150	421	1,015	7,838
Other assets	2,006	1,170	708	305	700	4,889
Amounts due from associates	–	–	–	–	21	21
Financial assets	103,915	105,869	27,900	34,802	62,092	334,578
Deposits of non-bank customers	94,413	80,402	21,701	27,336	37,634	261,486
Deposits and balances of banks	716	5,457	534	922	3,111	10,740
Trading portfolio liabilities	445	104	–	42	7	598
Derivative payables	2,349	3,793	97	436	799	7,474
Other liabilities [2]	2,423	1,394	643	457	879	5,796
Debt issued	475	14,779	418	524	3,751	19,947
Financial liabilities	100,821	105,929	23,393	29,717	46,181	306,041
Net financial assets/(liabilities) exposure [3]	3,094	(60)	4,507	5,085	15,911	

[1] Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
[2] Other liabilities include amounts due to associates.
[3] Net exposure without taking into account effect of offsetting derivative exposure.

39. RISK MANAGEMENT (continued)

39.3 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 foreign currency forwards, swaps and borrowings to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

$ million	2017 Structural currency exposure	2017 Hedging financial instruments	2017 Net structural currency exposure	2016 Structural currency exposure	2016 Hedging financial instruments	2016 Net structural currency exposure
Hong Kong Dollar	6,208	3,110	3,098	6,530	3,670	2,860
US Dollar	4,180	2,266	1,914	4,179	2,162	2,017
Chinese Renminbi	3,663	–	3,663	2,700	–	2,700
Others	6,639	640	5,999	5,889	1,497	4,392
Total	20,690	6,016	14,674	19,298	7,329	11,969

Liquidity risk

The table below analyses the carrying value of assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2017								
Cash and placements with central banks	9,157	2,874	1,746	57	–	–	5,760	19,594
Placements with and loans to banks	7,770	8,208	14,329	16,583	1,216	618	–	48,724
Loans and bills receivable	17,535	28,022	20,589	29,257	36,861	102,404	–	234,668
Securities [(1)]	525	2,723	5,406	14,292	12,627	13,639	3,922	53,134
Derivative receivables	6,101	3	10	#	3	269	–	6,386
Other assets [(2)]	1,260	937	335	2,029	598	82	584	5,825
Associates	–	102	41	–	1	–	2,208	2,352
Property, plant and equipment and investment property [(3)]	–	–	2	37	–	–	3,703	3,742
Goodwill and intangible assets	–	–	–	–	–	–	5,160	5,160
Total	42,348	42,869	42,458	62,255	51,306	117,012	21,337	379,585
Total life assurance fund assets								75,353
Total assets								454,938
Deposits of non-bank customers	158,604	42,211	42,201	37,456	1,328	1,842	–	283,642
Deposits and balances of banks	4,836	1,282	1,221	146	–	–	–	7,485
Trading portfolio liabilities	–	–	585	–	–	–	37	622
Derivative payables	6,416	5	18	1	8	6	–	6,454
Other liabilities [(4)]	2,285	1,091	956	2,070	53	89	827	7,371
Debt issued	1,343	3,065	10,959	9,251	3,465	4,152	–	32,235
Total	173,484	47,654	55,940	48,924	4,854	6,089	864	337,809
Total life assurance fund liabilities								75,353
Total liabilities								413,162
Net liquidity gap	(131,136)	(4,785)	(13,482)	13,331	46,452	110,923		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amounts due to associates, current tax and deferred tax liabilities.
(5) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)
Liquidity risk (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	No specific maturity	Total
2016								
Cash and placements with central banks	6,075	2,890	343	1,450	418	–	5,383	16,559
Placements with and loans to banks	6,756	5,646	10,716	15,388	752	400	–	39,658
Loans and bills receivable	15,717	25,724	16,172	24,713	38,003	96,966	–	217,295
Securities [1]	433	1,747	5,149	11,819	14,336	11,745	3,089	48,318
Derivative receivables	7,661	60	40	5	13	59	–	7,838
Other assets [2]	1,299	810	439	1,327	535	80	596	5,086
Associates	21	–	–	–	–	–	2,394	2,415
Property, plant and equipment and investment property [3]	–	–	26	2	–	–	3,981	4,009
Goodwill and intangible assets	–	–	–	–	–	–	5,473	5,473
Total	37,962	36,877	32,885	54,704	54,057	109,250	20,916	346,651
Total life assurance fund assets								63,233
Total assets								409,884
Deposits of non-bank customers	147,136	34,827	42,060	33,565	2,045	1,853	–	261,486
Deposits and balances of banks	6,413	2,309	1,983	35	–	–	–	10,740
Trading portfolio liabilities	–	–	532	–	–	–	66	598
Derivative payables	7,244	24	15	169	8	14	–	7,474
Other liabilities [4]	2,399	996	792	1,693	24	77	783	6,764
Debt issued	1,083	1,697	3,305	6,395	4,452	3,015	–	19,947
Total	164,275	39,853	48,687	41,857	6,529	4,959	849	307,009
Total life assurance fund liabilities								63,233
Total liabilities								370,242
Net liquidity gap	(126,313)	(2,976)	(15,802)	12,847	47,528	104,291		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amounts due to associates, current tax and deferred tax liabilities.

As contractual maturities may not necessarily reflect the timing of actual cash flows of assets and liabilities, cash flows for liquidity risk analysis are based on a contractual and behavioural basis.

39. RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities, except for trading portfolio liabilities which is in accordance with the Group's trading strategies. Information on cash outflow of gross loan commitments is set out in Note 44. 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 17) 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
2017							
Deposits of non-bank customers [1]	158,644	42,379	42,540	37,957	1,430	1,884	284,834
Deposits and balances of banks [1]	4,838	1,285	1,226	154	–	–	7,503
Trading portfolio liabilities	–	–	622	–	–	–	622
Other liabilities [2]	2,494	547	919	712	37	73	4,782
Debt issued	1,344	3,075	11,010	9,423	3,742	4,538	33,132
Net settled derivatives							
Trading	349	129	300	724	711	842	3,055
Hedging	#	12	2	(8)	8	2	16
Gross settled derivatives							
Trading – Outflow	33,843	55,655	58,991	63,338	17,410	18,271	247,508
Trading – Inflow	(33,794)	(55,655)	(59,141)	(63,330)	(17,390)	(18,147)	(247,457)
Hedging – Outflow	321	294	858	27	85	1,571	3,156
Hedging – Inflow	(304)	(294)	(852)	(2)	(8)	(1,606)	(3,066)
	167,735	47,427	56,475	48,995	6,025	7,428	334,085
2016							
Deposits of non-bank customers [1]	147,212	34,899	42,306	34,115	2,091	1,946	262,569
Deposits and balances of banks [1]	6,415	2,314	1,989	35	–	–	10,753
Trading portfolio liabilities	–	–	598	–	–	–	598
Other liabilities [2]	2,175	644	637	746	13	182	4,397
Debt issued	1,084	1,708	3,360	6,647	4,833	3,477	21,109
Net settled derivatives							
Trading	705	130	209	509	657	1,115	3,325
Hedging	(#)	1	5	10	13	1	30
Gross settled derivatives							
Trading – Outflow	21,103	47,087	47,997	51,898	13,405	10,977	192,467
Trading – Inflow	(21,414)	(48,981)	(49,123)	(52,636)	(13,430)	(11,749)	(197,333)
Hedging – Outflow	373	2,072	1,682	615	–	–	4,742
Hedging – Inflow	(374)	(2,064)	(1,681)	(445)	–	–	(4,564)
	157,279	37,810	47,979	41,494	7,582	5,949	298,093

(1) Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.
(2) Other liabilities include amounts due to associates.
(3) # represents amounts less than $0.5 million.

39.4 OTHER RISK AREAS

Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT

This note sets out the risk management information of GEH Group.

Governance framework

Managing risk is an integral part of GEH Group's core business. As stated in the Enterprise Risk Management ("ERM") Framework, GEH Group shall operate within parameters and limits that have been set based on the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible to provide oversight on the risk management initiatives. The GEH Board may delegate this responsibility to the Risk Management Committee ("RMC"). At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees chaired by the Group Chief Executive Officer and comprising key Senior Management Executives, namely: Group Management Committee ("GMC"), Group Asset-Liability Committee ("Group ALC") and Group Information Technology Steering Committee ("Group ITSC").

GMC is responsible for providing leadership, direction and functional oversight with regards to all matters of GEH Group. The GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

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.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group has had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore ("MAS") and Bank Negara, Malaysia ("BNM") respectively.

GEH Group's approach to capital management requires adequate capital to meet industry requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

The primary sources of capital of GEH Group are shareholders' funds and issued subordinated debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2017 amounted to $11.8 billion (2016: $10.3 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2017 amounted to $8.2 billion (2016: $7.2 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Financial risk management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance risk

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.

GEH Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance risk of life insurance contracts

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks do not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured and industries, assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual experience is different from expected experience. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentrations in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- or equivalent are considered when deciding on which reinsurers to reinsure GEH Group's risk. GEH Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of GEH 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.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. 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 scenarios, expense patterns, mortality/morbidity patterns and lapse rates.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Insurance risk (continued)
Table 39.5(A): Concentration of life insurance risk, net of reinsurance

Insurance liabilities ($ million)	Life Assurance 2017	Life Assurance 2016
(a) By class of business		
Whole life	**35,136**	30,880
Endowment	**23,172**	18,322
Term	**431**	419
Accident and health	**1,751**	1,588
Annuity	**535**	547
Others	**1,205**	1,156
Total	**62,230**	52,912
(b) By country		
Singapore	**42,745**	34,653
Malaysia	**18,936**	17,783
Others	**549**	476
Total	**62,230**	52,912

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis 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 Rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender Rates	– 25% for all future years
(g)	Scenario 7 – Expenses	+ 30% for all future years

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2017							
Gross impact	**(90.9)**	**8.8**	**38.6**	**(82.6)**	**57.4**	**(68.7)**	**(25.9)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(90.9)**	**8.8**	**38.6**	**(82.6)**	**57.4**	**(68.7)**	**(25.9)**
2016							
Gross impact	(22.8)	(51.4)	60.9	(88.0)	58.1	(72.1)	(21.8)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(22.8)	(51.4)	60.9	(88.0)	58.1	(72.1)	(21.8)

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Insurance risk (continued)
Table 39.5(B2): Profit/(loss) after tax and shareholders' equity sensitivity for the Malaysia segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2017							
Gross impact	**(80.4)**	**67.8**	**(15.0)**	**12.0**	**(5.1)**	**6.9**	**(19.7)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(80.4)**	**67.8**	**(15.0)**	**12.0**	**(5.1)**	**6.9**	**(19.7)**
2016							
Gross impact	(70.4)	59.1	(11.9)	10.5	(6.5)	7.7	(11.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(70.4)	59.1	(11.9)	10.5	(6.5)	7.7	(11.7)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

Insurance risk of non-life insurance contracts
Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

Table 39.5(C1): Concentration of non-life insurance risk

Non-life insurance contracts $ million	2017 Gross premium liabilities	2017 Reinsured premium liabilities	2017 Net premium liabilities	2016 Gross premium liabilities	2016 Reinsured premium liabilities	2016 Net premium liabilities
(a) By class of business						
Fire	19	(7)	12	29	(18)	11
Motor	30	–	30	26	(1)	25
Marine and aviation	6	(5)	1	8	(7)	1
Workmen's compensation	13	(4)	9	13	(4)	9
Personal accident and health	19	1	20	20	(2)	18
Miscellaneous	42	(29)	13	29	(18)	11
Total	129	(44)	85	125	(50)	75
(b) By country						
Singapore	65	(29)	36	64	(31)	33
Malaysia	64	(15)	49	61	(19)	42
Total	129	(44)	85	125	(50)	75

Non-life insurance contracts $ million	2017 Gross claims liabilities	2017 Reinsured claims liabilities	2017 Net claims liabilities	2016 Gross claims liabilities	2016 Reinsured claims liabilities	2016 Net claims liabilities
(a) By class of business						
Fire	28	(20)	8	40	(31)	9
Motor	56	(3)	53	65	(5)	60
Marine and aviation	23	(20)	3	12	(9)	3
Workmen's compensation	25	(9)	16	26	(10)	16
Personal accident and health	14	(1)	13	15	(2)	13
Miscellaneous	84	(67)	17	63	(48)	15
Total	230	(120)	110	221	(105)	116
(b) By country						
Singapore	108	(61)	47	93	(44)	49
Malaysia	122	(59)	63	128	(61)	67
Total	230	(120)	110	221	(105)	116

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Insurance risk (continued)
Table 39.5(C2): Cumulative claims estimates and cumulative payments to-date
The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2017

$ million	2010	2011	2012	2013	2014	2015	2016	2017	Total
(a) Estimate of cumulative claims									
Accident Year	69	112	94	138	127	167	178	168	
One year later	85	113	100	131	119	162	178	–	
Two years later	84	96	97	118	116	134	–	–	
Three years later	79	92	94	116	112	–	–	–	
Four years later	76	86	90	120	–	–	–	–	
Five years later	75	85	87	–	–	–	–	–	
Six years later	72	83	–	–	–	–	–	–	
Seven years later	71	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**71**	**83**	**87**	**120**	**112**	**134**	**178**	**168**	
(b) Cumulative payments									
Accident Year	27	36	37	38	39	52	82	64	
One year later	58	64	64	79	88	105	139	–	
Two years later	67	75	76	91	97	114	–	–	
Three years later	70	78	81	96	99	–	–	–	
Four years later	71	80	84	112	–	–	–	–	
Five years later	71	82	84	–	–	–	–	–	
Six years later	71	82	–	–	–	–	–	–	
Seven years later	71	–	–	–	–	–	–	–	
Cumulative payments	**71**	**82**	**84**	**112**	**99**	**114**	**139**	**64**	
(c) Non-life gross claim liabilities	**#**	**1**	**3**	**8**	**13**	**20**	**39**	**104**	**188**
Reserve for prior years									**44**
Unallocated surplus									**(1)**
General Insurance Fund Contract Liabilities, gross									**231**

(1) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Insurance risk (continued)
(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities for 2017

$ million	2010	2011	2012	2013	2014	2015	2016	2017	Total
(a) Estimate of cumulative claims									
Accident Year	46	73	64	93	81	83	91	93	
One year later	60	78	70	74	77	79	85	–	
Two years later	59	61	67	72	76	75	–	–	
Three years later	57	59	65	71	75	–	–	–	
Four years later	54	55	63	69	–	–	–	–	
Five years later	53	55	62	–	–	–	–	–	
Six years later	52	53	–	–	–	–	–	–	
Seven years later	51	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**51**	**53**	**62**	**69**	**75**	**75**	**85**	**93**	
(b) Cumulative payments									
Accident Year	21	25	32	30	32	30	41	44	
One year later	44	44	50	55	59	56	66	–	
Two years later	48	49	56	61	65	62	–	–	
Three years later	50	51	59	63	67	–	–	–	
Four years later	51	52	60	65	–	–	–	–	
Five years later	51	52	60	–	–	–	–	–	
Six years later	51	52	–	–	–	–	–	–	
Seven years later	51	–	–	–	–	–	–	–	
Cumulative payments	**51**	**52**	**60**	**65**	**67**	**62**	**66**	**44**	
(c) Non-life net claim liabilities	**#**	**1**	**2**	**4**	**8**	**13**	**19**	**49**	**96**
Reserve for prior years									**15**
Unallocated surplus									**(1)**
General Insurance Fund Contract Liabilities, net									**110**

(1) # represents amounts less than $0.5 million.

Key assumptions
Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

		Impact on			
$ million	Change in assumptions	Gross liabilities	Net liabilities	Profit before tax	Equity
2017					
Provision for adverse deviation margin	**+20%**	**5**	**3**	**(3)**	**(2)**
Loss ratio [1]	**+20%**	**75**	**43**	**(43)**	**(33)**
Claims handling expenses	**+20%**	**1**	**4**	**(4)**	**(3)**
2016					
Provision for adverse deviation margin	+20%	3	2	(2)	(1)
Loss ratio [1]	+20%	59	38	(38)	(30)
Claims handling expenses	+20%	1	3	(3)	(2)

(1) Best estimate reserves and current accident year payments.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes 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.

GEH Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. In the case of the funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

GEH Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

(a) Interest rate risk (including asset liability mismatch)

GEH 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 GEH 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.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(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 a fund level. Currency risk derived from investments in foreign equities is generally not hedged.

GEH Group is also exposed to foreign exchange risk on the net investment in its foreign subsidiaries. Such risk mainly arises from GEH Group's subsidiaries in Malaysia. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM.

The following table shows the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2017						
Available-for-sale securities						
Equity securities	2,785	5,582	659	5,294	–	14,320
Debt securities	14,378	11,752	10,445	3,294	–	39,869
Other investments	3,128	199	2,399	1,203	–	6,929
Securities at fair value through profit or loss						
Equity securities	100	1,677	252	507	–	2,536
Debt securities	21	692	159	308	–	1,180
Other investments	1,799	40	294	298	–	2,431
Financial instruments held-for-trading						
Equity securities	#	12	–	–	–	12
Debt securities	541	1,101	#	–	–	1,642
Derivative financial assets	231	–	6	2	–	239
Loans	432	927	–	–	–	1,359
Insurance receivables	1,052	1,620	6	23	–	2,701
Other debtors and interfund balances	960	289	139	129	2,214	3,731
Cash and cash equivalents	3,882	858	325	300	–	5,365
Financial and insurance-related assets	**29,309**	**24,749**	**14,684**	**11,358**	**2,214**	**82,314**
Other creditors and interfund balances	1,344	291	160	295	2,214	4,304
Insurance payables	1,105	3,001	4	14	–	4,124
Derivative financial payables	4	14	115	247	–	380
Provision for agents' retirement benefits	–	276	–	–	–	276
Debt issued	400	–	–	–	–	400
General insurance fund contract liabilities	109	122	–	–	–	231
Life assurance fund contract liabilities	41,421	18,936	1,390	483	–	62,230
Financial and insurance-related liabilities	**44,383**	**22,640**	**1,669**	**1,039**	**2,214**	**71,945**

[1] # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2016						
Available-for-sale securities						
Equity securities	2,859	3,544	469	4,212	–	11,084
Debt securities	13,651	12,164	9,528	591	–	35,934
Other investments	2,108	182	1,812	1,089	–	5,191
Securities at fair value through profit or loss						
Equity securities	104	1,103	250	578	–	2,035
Debt securities	14	555	238	249	–	1,056
Other investments	1,397	46	278	271	–	1,992
Financial instruments held-for-trading						
Equity securities	–	7	–	–	–	7
Debt securities	485	599	#	1	–	1,085
Derivative financial assets	27	–	56	2	–	85
Loans	531	1,065	13	#	–	1,609
Insurance receivables	1,013	1,560	9	23	–	2,605
Other debtors and interfund balances	680	452	99	24	1,386	2,641
Cash and cash equivalents	2,120	875	288	244	–	3,527
Financial and insurance-related assets	24,989	22,152	13,040	7,284	1,386	68,851
Other creditors and interfund balances	830	253	99	59	1,386	2,627
Insurance payables	942	2,711	5	13	–	3,671
Derivative financial payables	79	–	613	45	–	737
Provision for agents' retirement benefits	–	263	–	–	–	263
Debt issued	400	–	–	–	–	400
General insurance fund contract liabilities	93	128	–	–	–	221
Life assurance fund contract liabilities	33,384	17,783	1,314	431	–	52,912
Financial and insurance-related liabilities	35,728	21,138	2,031	548	1,386	60,831

(1) # represents amounts less than $0.5 million.

GEH Group has no significant concentration of foreign currency risk.

(c) Equity price risk
Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund 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. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk
Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.

(e) Alternative investment risk
GEH 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 risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and GEH Group ALC.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(f) Commodity risk

GEH Group does not have a direct or significant exposure to commodity risk.

(g) Liquidity risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough without incurring unreasonable losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. 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 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 these have 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 GEH 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 expected recovery or settlement of financial and insurance-related assets and maturity profile of GEH Group's financial and insurance contract liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2017					
Available-for-sale securities					
Equity securities	–	–	–	14,320	14,320
Debt securities	1,191	13,377	44,262	–	58,830
Other investments	–	–	–	6,929	6,929
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,536	2,536
Debt securities	137	565	867	–	1,569
Other investments	–	–	–	2,431	2,431
Financial instruments held-for-trading					
Equity securities	5	3	4	–	12
Debt securities	81	1,311	649	–	2,041
Loans	198	1,059	263	–	1,520
Insurance receivables	331	(1)	(#)	2,371	2,701
Other debtors and interfund balances	3,642	4	18	67	3,731
Cash and cash equivalents	5,365	–	–	–	5,365
Financial and insurance-related assets	**10,950**	**16,318**	**46,063**	**28,654**	**101,985**
Other creditors and interfund balances	4,217	50	2	35	4,304
Insurance payables	3,247	866	4	7	4,124
Provision for agents' retirement benefits	93	57	126	–	276
Debt issued	18	446	–	–	464
General insurance fund contract liabilities	205	4	(#)	22	231
Life assurance fund contract liabilities	7,948	10,810	43,472	–	62,230
Financial and insurance-related liabilities	**15,728**	**12,233**	**43,604**	**64**	**71,629**

(1) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(g) Liquidity risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2016					
Available-for-sale securities					
Equity securities	–	–	–	11,084	11,084
Debt securities	2,421	12,088	38,963	–	53,472
Other investments	–	–	–	5,191	5,191
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,035	2,035
Debt securities	165	444	909	–	1,518
Other investments	–	–	–	1,992	1,992
Financial instruments held-for-trading					
Equity securities	#	7	#	–	7
Debt securities	48	476	881	–	1,405
Loans	429	1,084	307	–	1,820
Insurance receivables	345	(3)	–	2,263	2,605
Other debtors and interfund balances	2,546	3	61	31	2,641
Cash and cash equivalents	3,527	–	–	–	3,527
Financial and insurance-related assets	9,481	14,099	41,121	22,596	87,297
Other creditors and interfund balances	2,521	50	1	55	2,627
Insurance payables	3,147	512	5	7	3,671
Provision for agents' retirement benefits	79	58	126	–	263
Debt issued	18	74	391	–	483
General insurance fund contract liabilities	189	7	(#)	25	221
Life assurance fund contract liabilities	7,280	6,447	39,185	–	52,912
Financial and insurance-related liabilities	13,234	7,148	39,708	87	60,177

(1) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(g) Liquidity risk (continued)
The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2017				
Cash and cash equivalents	5,066	–	299	5,365
Other debtors and interfund balances	3,618	99	84	3,801
Insurance receivables	331	2,370	–	2,701
Loans	168	1,191	–	1,359
Investments, including derivative financial assets	10,433	52,836	5,889	69,158
Assets held for sale	4	–	–	4
Associates	–	2	–	2
Goodwill	–	28	–	28
Property, plant and equipment	–	591	–	591
Investment properties	–	1,553	–	1,553
Assets	19,620	58,670	6,272	84,562
Insurance payables	3,244	868	12	4,124
Other creditors and interfund balances	4,140	86	109	4,335
Unexpired risk reserve	127	2	–	129
Derivative financial payables	34	342	4	380
Income tax	525	–	10	535
Provision for agents' retirement benefits	93	183	–	276
Deferred tax	–	1,353	22	1,375
Debt issued	–	400	–	400
General insurance fund	205	29	–	234
Life assurance fund	1,717	57,133	6,294	65,144
Liabilities	10,085	60,396	6,451	76,932
2016				
Cash and cash equivalents	3,219	–	308	3,527
Other debtors and interfund balances	2,592	49	50	2,691
Insurance receivables	345	2,260	–	2,605
Loans	420	1,189	–	1,609
Investments, including derivative financial assets	8,179	45,394	4,895	58,468
Associates	–	47	–	47
Goodwill	–	32	–	32
Property, plant and equipment	–	605	–	605
Investment properties	–	1,539	–	1,539
Assets	14,755	51,115	5,253	71,123
Insurance payables	3,144	516	11	3,671
Other creditors and interfund balances	2,481	107	66	2,654
Unexpired risk reserve	125	–	–	125
Derivative financial payables	294	434	10	738
Income tax	441	–	5	446
Provision for agents' retirement benefits	79	184	–	263
Deferred tax	–	1,053	5	1,058
Debt issued	–	400	–	400
General insurance fund	189	34	–	223
Life assurance fund	1,999	47,568	5,314	54,881
Liabilities	8,752	50,296	5,411	64,459

(1) * represents expected recovery or settlement within 12 months from the balance sheet date.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(h) Credit risk
Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. GEH Group is mainly 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 spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH 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. These 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.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collaterals, with a maximum loan to value ratio of 70%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the eligibility of collateral have been established, and all collaterals are revalued on a regular basis. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

		2017		2016	
$ million	**Type of collateral**	**Carrying amount**	**Fair value of collateral**	**Carrying amount**	**Fair value of collateral**
Policy loans	Cash value of policies	**2,276**	**4,569**	2,186	4,508
Secured loans	Properties	**679**	**1,231**	955	2,217
Secured loans	Others	**431** [(1)]	**8**	435 [(1)]	21
		3,386	**5,808**	3,576	6,746

(1) This includes secured loans which are guaranteed by the government although there is no collateral held.

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2017 (2016: nil).

As at the balance sheet date, no investments (2016: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary for standard securities borrowing and lending activities.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(h) Credit risk (continued)
The tables below show 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 risk 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 GEH Group's credit ratings of counterparties.

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2017	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	**–**	**–**	**–**	**14,320**	**–**	**14,320**
Debt securities	**28,562**	**29**	**11,278**	**–**	**–**	**39,869**
Other investments	**–**	**–**	**–**	**6,929**	**–**	**6,929**
Securities at fair value through profit or loss						
Equity securities	**–**	**–**	**–**	**2,536**	**–**	**2,536**
Debt securities	**144**	**–**	**–**	**1,036**	**–**	**1,180**
Other investments	**–**	**–**	**–**	**2,431**	**–**	**2,431**
Financial instruments held-for-trading						
Equity securities	**–**	**–**	**–**	**12**	**–**	**12**
Debt securities	**1,092**	**–**	**550**	**#**	**–**	**1,642**
Derivative financial assets	**235**	**–**	**–**	**4**	**–**	**239**
Loans	**430**	**–**	**867**	**–**	**62**	**1,359**
Insurance receivables	**77**	**–**	**2,595**	**–**	**29**	**2,701**
Other debtors and interfund balances	**–**	**–**	**3,646**	**84**	**1**	**3,731**
Cash and cash equivalents	**4,900**	**–**	**166**	**299**	**–**	**5,365**
	35,440	**29**	**19,102**	**27,651**	**92**	**82,314**
2016						
Available-for-sale securities						
Equity securities	–	–	–	11,084	–	11,084
Debt securities	26,979	176	8,779	–	–	35,934
Other investments	–	–	–	5,191	–	5,191
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,035	–	2,035
Debt securities	14	17	9	1,016	–	1,056
Other investments	–	–	–	1,992	–	1,992
Financial instruments held-for-trading						
Equity securities	–	–	–	7	–	7
Debt securities	590	–	485	10	–	1,085
Derivative financial assets	77	–	1	7	–	85
Loans	420	–	1,180	–	9	1,609
Insurance receivables	82	–	2,493	–	30	2,605
Other debtors and interfund balances	–	–	2,590	50	1	2,641
Cash and cash equivalents	3,083	18	118	308	–	3,527
	31,245	211	15,655	21,700	40	68,851

(1) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(2) * An ageing analysis for financial assets past due is provided below.
(3) # represents amounts less than $0.5 million.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(h) Credit risk (continued)
Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	6 to 12 months	Over 12 months	Sub-total	Past due and impaired @	Total
2017						
Loans	–	62	–	62	47	109
Insurance receivables	22	4	3	29	6	35
Other debtors and interfund balances	1	#	#	1	5	6
Total	23	66	3	92	58	150
2016						
Loans	–	–	9	9	4	13
Insurance receivables	20	7	3	30	6	36
Other debtors and interfund balances	1	–	#	1	4	5
Total	21	7	12	40	14	54

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.
(2) # represents amounts less than $0.5 million.

(i) 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.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

(j) Operational and compliance risk
Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, as a result of its failure to comply with applicable laws, regulations and standards. The applicable key compliance areas include:
- laws, regulations and rules governing insurance business and regulated financial activities undertaken by Great Eastern;
- codes of practice promoted by industry associations;
- anti-money laundering; and
- countering of financing of terrorism.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the GEH Audit Committee.

(k) Technology risk
Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or failure arising from the use of or reliance on computer hardware, software, electronic devices, and networks.

GEH Group adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

39. RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(I) Sensitivity analysis on financial risks
The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variable, with all other variables constant. While the co-movement of key variable can significantly affect the fair values and/or amortised cost of financial assets, but to demonstrate the impact due to changes in each key variable, the variables are changed individually.

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 valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2017**	**2016**	**2017**	**2016**
Change in variables:				
(a) Interest rate				
+100 basis points	**(438.9)**	(93.2)	**(522.2)**	(198.2)
–100 basis points	**419.3**	23.1	**509.7**	139.4
(b) LTRFDR				
+10 basis points	**43.9**	17.6	**43.7**	17.6
–10 basis points	**(46.7)**	(18.9)	**(46.7)**	(18.9)
(c) Foreign currency				
5% increase in market value of foreign currency denominated assets	**108.9**	24.3	**187.0**	90.8
5% decrease in market value of foreign currency denominated assets	**(108.9)**	(24.3)	**(187.0)**	(90.8)
(d) Equity				
20% increase in market indices				
STI	**218.9**	17.5	**317.7**	99.8
KLCI	**3.2**	0.5	**42.6**	12.3
20% decrease in market indices				
STI	**(218.9)**	(17.5)	**(317.7)**	(99.8)
KLCI	**(3.2)**	(0.5)	**(42.6)**	(12.3)
(e) Credit				
Spread +100 basis points	**(569.8)**	(277.6)	**(632.5)**	(341.9)
Spread –100 basis points	**654.5**	328.2	**712.5**	397.4
(f) Alternative investments [1]				
10% increase in market value of all alternative investments	**52.7**	21.4	**58.4**	43.9
10% decrease in market value of all alternative investments	**(52.7)**	(21.4)	**(58.4)**	(43.9)

[1] Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2017						
Cash and placements with central banks	–	–	19,594	–	–	19,594
Singapore government treasury bills and securities	938	–	–	8,902	–	9,840
Other government treasury bills and securities	3,327	32	–	14,272	–	17,631
Placements with and loans to banks	2,457	–	29,368	17,552	–	49,377
Debt and equity securities	5,165	239	17	19,908	–	25,329
Loans and bills receivable	–	–	234,141	–	–	234,141
Assets pledged	192	–	526	338	–	1,056
Derivative receivables	6,386	–	–	–	–	6,386
Other assets	–	–	5,070	–	172	5,242
Amounts due from associates	–	–	143	–	–	143
Financial assets	18,465	271	288,859	60,972	172	368,739
Non-financial assets						12,272
						381,011
LAF investment financial assets [1]	238	7,511	8,487	56,098	–	72,334
LAF investment non-financial assets [1]						1,593
Total assets						454,938
Deposits of non-bank customers	–	–	283,642	–	–	283,642
Deposits and balances of banks	–	–	7,485	–	–	7,485
Trading portfolio liabilities	622	–	–	–	–	622
Derivative payables	6,454	–	–	–	–	6,454
Other liabilities [2]	–	–	5,335	–	394	5,729
Debt issued	–	944	31,291	–	–	32,235
Financial liabilities	7,076	944	327,753	–	394	336,167
Non-financial liabilities						3,240
						339,407
LAF financial liabilities [1]	366	–	8,218	–	62,230	70,814
LAF non-financial liabilities [1]						2,941
Total liabilities						413,162

(1) "LAF" refers to Life Assurance Fund.
(2) Other liabilities include amounts due to associates.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2016						
Cash and placements with central banks	–	–	16,559	–	–	16,559
Singapore government treasury bills and securities	590	–	–	7,476	–	8,066
Other government treasury bills and securities	2,182	–	–	14,117	–	16,299
Placements with and loans to banks	1,858	–	23,772	14,171	–	39,801
Debt and equity securities	4,127	628	98	18,304	–	23,157
Loans and bills receivable	–	–	216,830	–	–	216,830
Assets pledged	269	1	465	1,054	–	1,789
Derivative receivables	7,838	–	–	–	–	7,838
Other assets	–	–	4,328	–	162	4,490
Amounts due from associates	–	–	21	–	–	21
Financial assets	16,864	629	262,073	55,122	162	334,850
Non-financial assets						13,062
						347,912
LAF investment financial assets [1]	78	5,935	7,251	47,111	–	60,375
LAF investment non-financial assets [1]						1,597
Total assets						409,884
Deposits of non-bank customers	–	–	261,486	–	–	261,486
Deposits and balances of banks	–	–	10,740	–	–	10,740
Trading portfolio liabilities	598	–	–	–	–	598
Derivative payables	7,474	–	–	–	–	7,474
Other liabilities [2]	–	–	4,949	–	386	5,335
Debt issued	–	867	19,080	–	–	19,947
Financial liabilities	8,072	867	296,255	–	386	305,580
Non-financial liabilities						2,700
						308,280
LAF financial liabilities [1]	733	–	6,324	–	52,912	59,969
LAF non-financial liabilities [1]						1,993
Total liabilities						370,242

(1) "LAF" refers to Life Assurance Fund.
(2) Other liabilities include amounts due to associates.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	BANK				
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Total
2017					
Cash and placements with central banks	–	–	14,355	–	14,355
Singapore government treasury bills and securities	938	–	–	8,151	9,089
Other government treasury bills and securities	2,744	–	–	5,700	8,444
Placements with and loans to banks	2,163	–	23,267	9,326	34,756
Debt and equity securities	4,301	–	17	9,663	13,981
Loans and bills receivable	–	–	143,516	–	143,516
Placements with and advances to subsidiaries	–	–	19,974	–	19,974
Assets pledged	–	–	–	741	741
Derivative receivables	5,117	–	–	–	5,117
Other assets	–	–	1,321	–	1,321
Amounts due from associates	–	–	#	–	#
Financial assets	15,263	–	202,450	33,581	251,294
Non-financial assets					18,562
Total assets					269,856
Deposits of non-bank customers	–	–	178,146	–	178,146
Deposits and balances of banks	–	–	6,085	–	6,085
Deposits and balances of subsidiaries	–	–	16,301	–	16,301
Trading portfolio liabilities	622	–	–	–	622
Derivative payables	4,989	–	–	–	4,989
Other liabilities (1)	–	–	1,761	–	1,761
Debt issued	–	944	31,554	–	32,498
Financial liabilities	5,611	944	233,847	–	240,402
Non-financial liabilities					691
Total liabilities					241,093
2016					
Cash and placements with central banks	–	–	11,365	–	11,365
Singapore government treasury bills and securities	590	–	–	7,112	7,702
Other government treasury bills and securities	1,757	–	–	5,408	7,165
Placements with and loans to banks	1,829	–	18,253	11,128	31,210
Debt and equity securities	3,499	–	85	8,028	11,612
Loans and bills receivable	–	–	131,874	–	131,874
Placements with and advances to subsidiaries	–	–	8,970	–	8,970
Assets pledged	–	–	–	936	936
Derivative receivables	6,352	–	–	–	6,352
Other assets	–	–	1,351	–	1,351
Financial assets	14,027	–	171,898	32,612	218,537
Non-financial assets					19,310
Total assets					237,847
Deposits of non-bank customers	–	–	155,753	–	155,753
Deposits and balances of banks	–	–	9,090	–	9,090
Deposits and balances of subsidiaries	–	–	16,288	–	16,288
Trading portfolio liabilities	580	–	–	–	580
Derivative payables	6,008	–	–	–	6,008
Other liabilities (1)	–	–	1,706	–	1,706
Debt issued	–	867	18,665	–	19,532
Financial liabilities	6,588	867	201,502	–	208,957
Non-financial liabilities					609
Total liabilities					209,566

(1) Other liabilities include amounts due to associates.
(2) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

41.1 VALUATION CONTROL FRAMEWORK

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation policies are reviewed annually by the MRM function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions' compliance with the policy.

41.2 FAIR VALUES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

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 and debt and equity securities 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, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair value, which approximate the carrying value.

The fair values of the Group's subordinated term notes and covered bonds 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.

41.3 FAIR VALUE HIERARCHY

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)
The following table summarises the Group's assets and liabilities recorded at fair value by level of the fair value hierarchies:

	2017				2016			
$ million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks	–	20,204	–	20,204	–	16,556	–	16,556
Debt and equity securities	20,795	4,107	738	25,640	21,069	2,546	239	23,854
Derivative receivables	47	6,311	28	6,386	34	7,765	39	7,838
Government treasury bills and securities	24,295	3,182	–	27,477	22,338	2,029	–	24,367
Life Assurance Fund investment assets	46,604	16,004	1,239	63,847	38,880	13,072	1,172	53,124
Total	91,741	49,808	2,005	143,554	82,321	41,968	1,450	125,739
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	–	1,553	1,553	–	–	1,539	1,539
Total	–	–	1,553	1,553	–	–	1,539	1,539
Financial liabilities measured at fair value								
Derivative payables	70	6,370	14	6,454	91	7,348	35	7,474
Trading portfolio liabilities	622	–	–	622	598	–	–	598
Debt issued	–	944	–	944	–	867	–	867
Life Assurance Fund financial liabilities	1	365	–	366	–	733	–	733
Total	693	7,679	14	8,386	689	8,948	35	9,672
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	–	11,681	–	11,681	–	13,484	–	13,484
Debt and equity securities	10,789	2,610	565	13,964	9,664	2,197	72	11,933
Derivative receivables	4	5,091	22	5,117	2	6,314	36	6,352
Government treasury bills and securities	15,960	2,122	–	18,082	14,107	762	–	14,869
Total	26,753	21,504	587	48,844	23,773	22,757	108	46,638
Financial liabilities measured at fair value								
Derivative payables	4	4,977	8	4,989	4	5,973	31	6,008
Trading portfolio liabilities	622	–	–	622	580	–	–	580
Debt issued	–	944	–	944	–	867	–	867
Total	626	5,921	8	6,555	584	6,840	31	7,455

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity and from Level 1 to Level 2 due to reduced market activity.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP $ million	Fair value at 31 December 2017	Classification	Valuation technique	Unobservable input
Financial assets				
Debt securities	130	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	608	Available-for-sale	Net asset value/ Multiples	Net asset value/ Earnings and ratios
Derivative receivables	28	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Life Assurance Fund investment assets	1,239	Available-for-sale	Net asset value	Net asset value
Total	**2,005**			
Financial liabilities				
Derivative payables	14	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Total	**14**			

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Movements in the Group's Level 3 financial assets and liabilities

	2017				2016			
GROUP $ million	Debt and equity securities	Derivative receivables	Life Assurance Fund investment assets	Total	Debt and equity securities	Derivative receivables	Life Assurance Fund investment assets	Total
Financial assets measured at fair value								
At 1 January	**239**	**39**	**1,172**	**1,450**	183	46	1,206	1,435
Purchases/transfer from associate	**540**	**3**	**235**	**778**	20	4	68	92
Settlements/disposals	**(30)**	**(#)**	**(103)**	**(133)**	–	(#)	(98)	(98)
Transfers (out of)/in to Level 3	**(7)** [(1)]	**(12)** [(1)]	**–**	**(19)**	12 [(2)]	–	–	12
Gains/(losses) recognised in								
– profit or loss	**(34)**	**(2)**	**(79)**	**(115)**	(1)	(11)	(17)	(29)
– other comprehensive income	**30**	**#**	**14**	**44**	25	(#)	13	38
At 31 December	**738**	**28**	**1,239**	**2,005**	239	39	1,172	1,450
Unrealised gains/(losses) included in profit or loss for assets held at the end of the period	**(27)**	**36**	**(9)**	**#**	(13)	34	(6)	15

(1) Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.
(2) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.
(3) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

GROUP

Gains/(losses) included in profit or loss are presented in the income statement as follows:

$ million	2017 Net interest income	2017 Trading income	2017 Other income	2017 Total	2016 Net interest income	2016 Trading income	2016 Other income	2016 Total
Total gains/(losses) included in profit or loss for the year ended	–	(3)	(112)	(115)	–	(11)	(18)	(29)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	36	(36)	#	–	34	(19)	15

[1] # represents amounts less than $0.5 million.

BANK

$ million	2017 Debt and equity securities	2017 Derivative receivables	2017 Total	2016 Debt and equity securities	2016 Derivative receivables	2016 Total
Financial assets measured at fair value						
At 1 January	72	36	108	33	47	80
Purchases/transfer from associate	506	3	509	20	4	24
Settlements/disposals	(13)	–	(13)	–	–	–
Transfers in to/(out of) Level 3	1 [1]	(12) [2]	(11)	4 [1]	–	4
Gains/(losses) recognised in						
– profit or loss	(6)	(5)	(11)	12	(15)	(3)
– other comprehensive income	5	–	5	3	–	3
At 31 December	565	22	587	72	36	108
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	(7)	31	24	–	30	30

Gains/(losses) included in profit or loss are presented in the income statement as follows:

$ million	2017 Trading income	2017 Other income	2017 Total	2016 Trading income	2016 Other income	2016 Total
Total gains/(losses) included in profit or loss for the year ended	(4)	(7)	(11)	(14)	11	(3)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	32	(8)	24	30	–	30

[1] Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.
[2] Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

$ million	GROUP				BANK			
	2017		2016		2017		2016	
	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**35**	**35**	47	47	**31**	**31**	40	40
Issues	**1**	**1**	6	6	**1**	**1**	7	7
Settlements/disposals	**–**	**–**	(1)	(1)	**–**	**–**	(#)	(#)
Transfers out of Level 3	**(25)** [1]	**(25)**	–	–	**(25)** [1]	**(25)**	–	–
Losses/(gains) recognised in								
– profit or loss	**3**	**3**	(17)	(17)	**1**	**1**	(16)	(16)
– other comprehensive income	**#**	**#**	(#)	(#)	**–**	**–**	–	–
At 31 December	**14**	**14**	35	35	**8**	**8**	31	31
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(34)**	**(34)**	(24)	(24)	**(33)**	**(33)**	(24)	(24)

(1) Relates to transfers from Level 3 to Level 1 and 2 due to use of inputs based on market observable data.
(2) # represents amounts less than $0.5 million.

Gains/(losses) included in profit or loss are presented in the income statements as follows:

$ million	GROUP				BANK			
	2017		2016		2017		2016	
	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total (losses)/gains included in profit or loss for the year ended	**(3)**	**(3)**	17	17	**(1)**	**(1)**	16	16
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(34)**	**(34)**	(24)	(24)	**(33)**	**(33)**	(24)	(24)

Movements in the Group's Level 3 non-financial assets

$ million	GROUP			
	2017		2016	
	Life Assurance Fund investment properties	Total	Life Assurance Fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	**1,539**	**1,539**	1,568	1,568
Purchases	**#**	**#**	–	–
Sales	**(1)**	**(1)**	(9)	(9)
Gains/(losses) recognised in				
– profit or loss	**10**	**10**	(16)	(16)
– other comprehensive income	**5**	**5**	(4)	(4)
At 31 December	**1,553**	**1,553**	1,539	1,539

(1) # represents amounts less than $0.5 million.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

				Related amounts not offset on balance sheet			
Types of financial assets/liabilities GROUP ($ million)	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B)**[1]	**Gross recognised financial instruments in scope (A – B = C + D + E + F)**[2]	**Financial instruments (C)**[3]	**Cash collateral (D)**	**Non-cash collateral (E)**	**Net amounts in scope (F)**
2017							
Financial assets							
Derivative receivables	**6,386**	**3,041**	**3,345**	**2,101**	**307**	**5**	**932**
Reverse repurchase agreements	**4,508**[4]	**1,147**	**3,361**	**3,351**	**–**	**–**	**10**
Securities borrowings	**28**[5]	**–**	**28**	**25**	**–**	**–**	**3**
Total	**10,922**	**4,188**	**6,734**	**5,477**	**307**	**5**	**945**
Financial liabilities							
Derivative payables	**6,454**	**2,596**	**3,858**	**2,101**	**814**	**–**	**943**
Repurchase agreements	**476**[6]	**297**	**179**	**179**	**–**	**–**	**–**
Securities lendings	**9**[7]	**9**	**–**	**–**	**–**	**–**	**–**
Total	**6,939**	**2,902**	**4,037**	**2,280**	**814**	**–**	**943**
2016							
Financial assets							
Derivative receivables	7,838	2,899	4,939	3,228	633	33	1,045
Reverse repurchase agreements	4,974[4]	451	4,523	4,483	–	–	40
Securities borrowings	19[5]	–	19	17	–	–	2
Total	12,831	3,350	9,481	7,728	633	33	1,087
Financial liabilities							
Derivative payables	7,474	2,076	5,398	3,228	1,044	–	1,126
Repurchase agreements	1,194[6]	357	837	837	–	–	–
Securities lendings	11[7]	11	–	–	–	–	–
Total	8,679	2,444	6,235	4,065	1,044	–	1,126

(1) Represents financial instruments not subject to master netting agreements.
(2) Represents financial instruments subject to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under placements with and loans to banks and other assets on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.
(7) Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B)[1]	Gross recognised financial instruments in scope (A – B = C + D + E + F)[2]	Related amounts not offset on balance sheet: Financial instruments (C)[3]	Related amounts not offset on balance sheet: Cash collateral (D)	Related amounts not offset on balance sheet: Non-cash collateral (E)	Net amounts in scope (F)
2017							
Financial assets							
Derivative receivables	**5,117**	**2,059**	**3,058**	**1,997**	**206**	**5**	**850**
Reverse repurchase agreements	**3,737**[4]	**386**	**3,351**	**3,341**	**–**	**–**	**10**
Securities borrowings	**19**[5]	**–**	**19**	**17**	**–**	**–**	**2**
Total	**8,873**	**2,445**	**6,428**	**5,355**	**206**	**5**	**862**
Financial liabilities							
Derivative payables	**4,989**	**1,669**	**3,320**	**1,998**	**552**	**–**	**770**
Repurchase agreements	**167**[6]	**–**	**167**	**167**	**–**	**–**	**–**
Total	**5,156**	**1,669**	**3,487**	**2,165**	**552**	**–**	**770**
2016							
Financial assets							
Derivative receivables	6,352	2,095	4,257	2,868	313	33	1,043
Reverse repurchase agreements	4,927[4]	451	4,476	4,436	–	–	40
Securities borrowings	11[5]	–	11	11	–	–	–
Total	11,290	2,546	8,744	7,315	313	33	1,083
Financial liabilities							
Derivative payables	6,008	1,423	4,585	2,868	844	–	873
Repurchase agreements	833[6]	–	833	833	–	–	–
Total	6,841	1,423	5,418	3,701	844	–	873

(1) Represents financial instruments not subject to master netting agreements.
(2) Represents financial instruments subject to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under placements with and loans to banks on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.

43. 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. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**3,935,631**	4,063,677	**3,129,357**	3,264,335
Term to maturity of more than one year	**2,195,691**	1,930,330	**1,369,407**	1,326,100
	6,131,322	5,994,007	**4,498,764**	4,590,435
Acceptances and endorsements	**1,282,660**	1,300,489	**672,607**	634,404
Documentary credits and other short term trade-related transactions	**3,089,865**	3,850,565	**2,111,154**	3,048,191
	10,503,847	11,145,061	**7,282,525**	8,273,030
43.1 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**83,448**	209,781	**201,138**	257,241
Manufacturing	**1,748,009**	1,840,893	**762,184**	889,064
Building and construction	**1,623,199**	1,466,296	**754,178**	832,285
General commerce	**3,931,533**	5,461,263	**3,126,052**	4,716,420
Transport, storage and communication	**624,056**	451,106	**481,980**	312,386
Financial institutions, investment and holding companies	**485,481**	492,558	**417,549**	580,727
Professionals and individuals	**302,264**	294,233	**57,708**	62,404
Others	**1,705,857**	928,931	**1,481,736**	622,503
	10,503,847	11,145,061	**7,282,525**	8,273,030
43.2 ANALYSED BY GEOGRAPHY				
Singapore	**5,818,712**	6,209,345	**5,941,579**	6,447,741
Malaysia	**1,261,392**	1,190,586	**10,005**	13,491
Indonesia	**1,154,550**	1,195,478	**–**	–
Greater China	**1,842,263**	2,208,740	**893,818**	1,442,359
Other Asia Pacific	**300,655**	246,092	**310,848**	274,619
Rest of the World	**126,275**	94,820	**126,275**	94,820
	10,503,847	11,145,061	**7,282,525**	8,273,030

Contingent liabilities analysed by geography is based on the country where the transactions are recorded.

44. COMMITMENTS

Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

	GROUP		BANK	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
44.1 CREDIT COMMITMENTS				
Undrawn credit facilities:				
Term to maturity of one year or less	**111,902,150**	102,378,264	**48,522,969**	40,663,317
Term to maturity of more than one year	**16,946,051**	16,773,901	**30,701,981**	14,462,230
	128,848,201	119,152,165	**79,224,950**	55,125,547
44.2 OTHER COMMITMENTS				
Operating lease (non-cancellable) commitments:				
Within 1 year	**80,904**	48,715	**23,813**	23,594
After 1 year but within 5 years	**133,927**	106,929	**30,250**	23,479
Over 5 years	**6,608**	4,026	**4,218**	–
	221,439	159,670	**58,281**	47,073
Capital commitment authorised and contracted	**146,938**	180,393	**90,714**	116,597
Forward deposits and assets purchase	**1,166,647**	472,715	**1,127,198**	271,860
	1,535,024	812,778	**1,276,193**	435,530
44.3 TOTAL COMMITMENTS	**130,383,225**	119,964,943	**80,501,143**	55,561,077
44.4 CREDIT COMMITMENTS ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**1,259,038**	1,361,883	**455,904**	641,966
Manufacturing	**8,531,490**	8,576,265	**3,986,760**	3,413,712
Building and construction	**14,893,565**	12,414,720	**11,642,335**	9,376,531
General commerce	**17,370,985**	15,741,824	**13,510,189**	11,913,334
Transport, storage and communication	**3,158,736**	3,083,792	**2,634,424**	2,440,116
Financial institutions, investment and holding companies	**33,843,477**	29,253,760	**30,714,924**	11,045,825
Professionals and individuals	**42,855,168**	41,906,660	**12,493,867**	13,019,005
Others	**6,935,742**	6,813,261	**3,786,547**	3,275,058
	128,848,201	119,152,165	**79,224,950**	55,125,547
44.5 CREDIT COMMITMENTS ANALYSED BY GEOGRAPHY				
Singapore	**97,873,143**	89,972,832	**68,973,504**	46,517,627
Malaysia	**7,175,970**	7,010,061	**305,559**	254,752
Indonesia	**3,891,172**	4,753,597	**–**	–
Greater China	**15,969,853**	13,847,436	**5,987,707**	4,754,145
Other Asia Pacific	**2,105,232**	1,655,114	**2,111,837**	1,661,684
Rest of the World	**1,832,831**	1,913,125	**1,846,343**	1,937,339
	128,848,201	119,152,165	**79,224,950**	55,125,547

Credit commitments analysed by geography is based on the country where the transactions are recorded.

45. UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities refer to structured entities that are not controlled by the Group. The Group's transactions in these structured entities are for investment opportunities as well as to facilitate client transactions. The Group's maximum exposure to loss is primarily limited to the carrying amount on its balance sheet and loan and capital commitments to these structured entities.

The following table summarises the carrying amount of the assets and liabilities recognised in the Group's financial statements relating to the interests in unconsolidated structured entities undertaken by business segments.

GROUP ($million)	Global investment banking	Insurance	Others	Total
2017				
Available-for-sale investments	**59**	**120**	**#**	**179**
Other assets	**–**	**5**	**–**	**5**
Total assets	**59**	**125**	**#**	**184**
Other liabilities	**–**	**1**	**#**	**1**
Total liabilities	**–**	**1**	**#**	**1**
Other commitments				
Loan and capital commitments authorised and contracted [1]	**29**	**–**	**–**	**29**
Income earned from sponsored structured entities [2]	**–**	**47**	**6**	**53**
Assets of structured entities	**490**	**5,008**	**1,128**	**6,626**
2016				
Available-for-sale investments	54	134	#	188
Other assets	–	5	–	5
Total assets	54	139	#	193
Other liabilities	–	#	#	#
Total liabilities	–	#	#	#
Other commitments				
Loan and capital commitments authorised and contracted [1]	43	–	–	43
Income earned from sponsored structured entities [2]	–	41	6	47
Assets of structured entities	476	4,091	594	5,161

(1) These were also included in the Group's capital commitment authorised and contracted in Note 44.
(2) The income earned relates primarily to management fee, interest income or fair value gains or losses recognised by the Group arising from the interests held by the Group in the unconsolidated investment funds.
(3) # represents amounts less than $0.5 million.

The amount of assets transferred to sponsored entities during 2017 and 2016 were not significant.

46. FINANCIAL ASSETS TRANSFERRED

46.1 ASSETS PLEDGED

	GROUP		BANK	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Government treasury bills and securities (Note 24)				
– Singapore	**–**	–	**543,483**	–
– Others	**5,878**	2,302	**5,878**	2,302
Placements with and loans to banks (Note 25)	**195,160**	527,285	**191,991**	527,285
Loans and bills receivable (Note 26)	**526,414**	464,746	**–**	–
Debt securities (Note 30)	**328,087**	794,582	**–**	406,343
	1,055,539	1,788,915	**741,352**	935,930
Repo balances for assets pledged	**475,454**	1,192,790	**687,394**	831,394

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 $3,929.4 million (2016: $4,760.3 million), of which $198.5 million (2016: $174.2 million) have been sold or re-pledged. 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.

46.2 ASSETS ASSIGNED AS SECURITY FOR COVERED BONDS ISSUED (NOTE 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore home loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 34.7). These home loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2017, the carrying value of the covered bonds in issue was $1,584 million (2016: Nil), while the carrying value of assets assigned was $4,736 million (2016: Nil). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

47. ASSETS HELD FOR SALE

The following assets were reclassified as held for sale and are presented at their carrying amount. The Group did not recognise any impairment loss for a write-down of the assets held for sale to fair value less costs to sell.

	GROUP		BANK	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Associates (Note 47.1)	**32,843**	–	**–**	–
Investment properties (Note 47.2)	**5,716**	28,035	**1,590**	1,150
	38,559	28,035	**1,590**	1,150

47.1 ASSOCIATES

In March 2017, the Bank announced that its wholly-owned subsidiary, OCBC Wing Hang Bank Limited ("OWHB"), entered into a Share Sale Agreement to sell its 33.33% stake comprising 140 million ordinary shares ("Sale Shares") in the capital of Hong Kong Life Insurance Limited ("Hong Kong Life"). The consideration for the Sale Shares is HKD2,366.7 million (approximately S$404.8 million). The completion of the Sale Shares under the Share Sale Agreement will be conditional upon regulatory approvals.

47.2 INVESTMENT PROPERTIES

These comprise properties which the Group is disposing of, 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.

48. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within 1 year	**50,365**	54,234	**18,937**	18,788
After 1 year but within 5 years	**43,643**	46,208	**17,128**	22,527
Over 5 years	**75**	202	**–**	–
	94,083	100,644	**36,065**	41,315

The Group leases retail, commercial and hotel space to third parties with varying terms including variable rent, escalation clauses and renewal rights.

49. 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.

49.1 Related party balances at the 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 2017	21	18	22	–
Net change	532	(7)	(#)	6
At 31 December 2017	**553**	**11**	**22**	**6**
(b) Deposits, borrowings and other payables				
At 1 January 2017	206	55	50	865
Net change	14	2	#	538
At 31 December 2017	**220**	**57**	**50**	**1,403**
(c) Off-balance sheet credit facilities [(1)]				
At 1 January 2017	–	7	–	1
Net change	–	(3)	5	–
At 31 December 2017	**–**	**4**	**5**	**1**
(d) Income statement transactions				
Year ended 31 December 2017				
Interest income	**5**	**#**	**#**	**#**
Interest expense	**2**	**1**	**#**	**9**
Rental income	**–**	**–**	**–**	**2**
Fee and commission and other income	**–**	**#**	**2**	**207**
Rental and other expenses	**11**	**#**	**#**	**12**
Year ended 31 December 2016				
Interest income	1	#	#	#
Interest expense	2	1	#	10
Rental income	–	–	–	1
Fee and commission and other income	–	1	#	178
Rental and other expenses	4	1	#	8

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) # represents amounts less than $0.5 million.

49. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2017	9,303	–	12	22	–
Net change	11,205	410	(1)	(1)	6
At 31 December 2017	**20,508**	**410**	**11**	**21**	**6**
(b) Deposits, borrowings and other payables					
At 1 January 2017	17,921	127	32	47	412
Net change	(120)	(24)	9	#	296
At 31 December 2017	**17,801**	**103**	**41**	**47**	**708**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2017	1,262	–	#	–	1
Net change	17,310	–	–	–	(#)
At 31 December 2017	**18,572**	**–**	**#**	**–**	**1**
(d) Income statement transactions					
Year ended 31 December 2017					
Interest income	**245**	**#**	**#**	**#**	**#**
Interest expense	**338**	**1**	**#**	**#**	**2**
Rental income	**23**	**–**	**–**	**–**	**–**
Fee and commission and other income	**45**	**–**	**#**	**#**	**159**
Rental and other expenses	**298**	**11**	**#**	**–**	**2**
Year ended 31 December 2016					
Interest income	76	–	#	#	#
Interest expense	201	2	#	#	1
Rental income	24	–	–	–	–
Fee and commission and other income	38	–	#	#	133
Rental and other expenses	290	4	#	#	#

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) # represents amounts less than $0.5 million.

49.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	BANK	
	2017 $ million	2016 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**38**	40
Share-based benefits	**12**	15
	50	55

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2017 included in the above table are subject to the approval of the Remuneration Committee.

50. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

50.1 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

In 2014, the Accounting Standards Council ("ASC") announced that Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading on the Singapore Exchange, will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") with effect from annual periods beginning on or after 1 January 2018, with the objective to achieve full convergence with IFRS. Subsequently, the ASC issued Singapore Financial Reporting Standards (International) ("SFRS(I)") in 2017 for local implementation. SFRS(I) are equivalent of the International Financial Reporting Standards.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). On initial implementation of SFRS(I), the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).* In this regard, the date of transition to SFRS(I) for the Group is 1 January 2017, unless otherwise stated.

In addition, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) will also be applied:

FRS	Title
SFRS(I) 9	*Financial Instruments*
SFRS(I) 15	*Revenue from Contracts with Customers*
SFRS(I) 1-28 (Amendments)	*Measuring an Associate or Joint Venture at Fair Value*
SFRS(I) 1-40 (Amendments)	*Investment Property: Transfers of Investment Property*
SFRS(I) 2 (Amendments)	*Share-based Payment: Classification and Measurement of Share-based Payment Transactions*
SFRS(I) 4 (Amendments)	*Insurance Contracts: Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Consideration*

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have a significant impact on the Group's financial statements, except for SFRS(I) 1 and SFRS(I) 9.

(I) SFRS(I) 1

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if the accounting standards had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required as SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the new accounting policies.

To provide transitional relief from full retrospective application for a first-time adopter, SFRS(I) 1 provides certain mandatory exceptions and optional exemptions from retrospective application, which are often different from the transitional provisions of individual SFRS(I)s.

Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign currency translation reserves ("FCTR")

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, as permitted by the accounting standards. The cumulative FCTR of $0.9 billion recognised by the Group (Bank: $0.1 billion), which was determined in accordance with the Singapore Financial Reporting Standards, will be reclassified from FCTR to Unappropriated Profit within Revenue Reserves. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

50. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

50.1 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018 (continued)

(II) SFRS(I) 9

With effect from 1 January 2018, SFRS(I) 9 supersedes FRS 39 *Financial Instruments: Recognition and Measurement*. SFRS(I) 9 prescribes new accounting requirements for classification and measurement of financial instruments, a new expected credit loss model of measuring impairment of financial assets, and new general hedge accounting requirements.

The date of transition to SFRS(I) 9 is 1 January 2018, as the Group plans to apply the exemptions granted under SFRS(I) 1 and do not restate the financial information of its comparative period in respect of financial instruments. A first-time adopter that elects to apply the exemption will recognise the cumulative effect of adopting SFRS(I) 9 in Revenue Reserves as at 1 January 2018.

The adoption of SFRS(I) 9 is generally applied retrospectively, except as described below:

- The Group will make the following assessments based on the basis of facts and circumstances that existed as at 1 January 2018, which is the date of transition to SFRS(I) 9:
  - The determination of the business model within which financial assets are held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.
  - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss ("FVTPL").
- The Group plans to apply new hedge accounting requirements prospectively. All hedging relationships designated under the existing accounting standard as at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 as at 1 January 2018 will be regarded as continuing hedging relationships.

The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment. However, the actual tax effect may change when the transition adjustments are finalised. The Group does not expect the adoption of SFRS(I) 9 to have a significant impact on its CET1 Capital.

(i) Classification and measurement: financial assets

SFRS(I) 9 introduces a principle-based approach to the classification of financial assets. Classification and measurement of financial assets are determined based on the contractual cash flow characteristics of the financial assets and the business model associated with the financial assets.

A debt financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

A debt financial asset is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Equity instruments held for trading are classified at FVTPL. Equity instruments that are not held for trading are either classified at FVTPL or FVOCI, subject to an irrevocable election.

50. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

50.1 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018 (continued)
(II) SFRS(I) 9 (continued)
(i) Classification and measurement: financial assets (continued)
Except for transition impact on Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), the application of SFRS(I) 9 is expected to result in reclassification of certain financial assets recognised by OCBC Group and OCBC Bank as at the date of transition, as described below:

- Approximately $0.4 billion of government treasury bills and debt securities held by the Group (Bank: $0.4 billion) are expected to be reclassified from available-for-sale ("AFS") to amortised cost, as these are held within the business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on principal outstanding;

- Approximately $0.3 billion of loans to customers originated by the Group (Bank: $0.2 billion) are expected to be reclassified from amortised cost to FVTPL, as the contractual cash flows do not represent solely payments of principal and interest on principal outstanding;

- Approximately $0.4 billion of equity securities held by the Group (Bank: $0.4 billion) are expected to be reclassified from AFS to FVTPL. Approximately $0.3 billion of equity securities held by the Group (Bank: $0.2 billion) are expected to be reclassified from AFS to FVOCI; and

- Approximately $0.1 billion of debt securities recognised by the Group are expected to be reclassified from AFS to FVTPL as the contractual cash flows do not represent solely payments of principal and interest on principal outstanding. The impact on the Bank is not expected to be material.

For GEH Group, application of SFRS(I) 9 is expected to result in the following reclassification:

- GEH Group intends to make an election to measure its currently AFS debt securities amounting to approximately $32.9 billion at FVTPL as doing so eliminates or significantly reduces accounting mismatch;

- AFS debt securities where cash flows do not represent solely payments of principal and interest amounting to approximately $0.9 billion will be reclassified to FVTPL;

- GEH Group intends to elect to measure its AFS equity securities amounting to approximately $2.2 billion at FVOCI, and AFS equity securities amounting to approximately $12.1 billion at FVTPL; and

- For collective investment schemes ("CIS"), GEH Group intends to continue to measure CIS currently measured at FVTPL, amounting to $2.4 billion, at FVTPL. GEH Group intends to measure AFS collective investment schemes amounting to $6.9 billion at FVTPL.

(ii) Impairment
SFRS(I) 9 replaces the existing FRS 39 loan provisioning requirements as modified by MAS Notice 612 with a forward-looking expected credit loss ("ECL") model.

Scope
Under SFRS(I) 9, the expected loss model is applied to financial assets classified at amortised cost or FVOCI, and certain off-balance sheet loan commitments and financial guarantees which were previously provided for under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

50. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

50.1 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018 (continued)

(II) SFRS(I) 9 (continued)

(ii) Impairment (continued)

Expected credit loss impairment model

Under SFRS(I) 9, credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months ("12-month ECL").

- Stage 2 – Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset ("Lifetime ECL").

- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, a loss allowance will be the full lifetime expected credit loss.

Consistent with FRS 39, loans are written off against impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote. This does not significantly change on adoption of SFRS(I) 9.

Measurement

An ECL estimate will be produced for all relevant instruments established on probability-weighted forward-looking economic scenarios. The measurement of ECL will primarily be calculated based on the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). These parameters are derived from internal rating models after adjusting them to be un-biased and forward looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

12-month ECL will be based on a maximum of 12-month PD while Lifetime ECL will be based on the remaining lifetime of the instrument. LGD reflects the expected loss value given default, after taking into account the effect of collateral. EAD reflects the expected exposure at default, after taking into account of any expected repayments and/or drawdown. 12-month ECL and Lifetime ECL will be the respective discounted value (using the effective interest rate) of 12-month PD and Lifetime PD, multiplied with LGD and EAD.

Movement between stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with SFRS(I) 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where loss allowance will be measured using lifetime ECL.

The Group has considered both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

1. The Group has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
2. The Group will also conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
3. The Group plans to use 30 days past due as an indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment, similar to FRS 39.

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired.

50. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

50.1 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018 (continued)
(II) SFRS(I) 9 (continued)
(ii) Impairment (continued)
Regulatory framework
Under the revised MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance ("MRLA") of 1% of the gross carrying amount of selected credit exposures, net of collaterals. Where the accounting loss allowance computed under SFRS(I) 9 falls below the MRLA, the Group shall maintain the shortfall in a non-distributable regulatory loss allowance reserve ("RLAR") account through the appropriation of Revenue Reserves. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to Revenue Reserves.

Upon transition to SFRS(I) 9, the Group expects the accounting loss allowance to be in the range of 70% to 80% of the MRLA, with the RLAR at 20% to 30%.

The Group is currently finalising its testing of the expected credit loss model and the final transition adjustments may be different.

(iii) Hedge accounting
SFRS(I) 9 provides new requirements on hedge accounting which align hedge accounting more closely with risk management. The standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the hedge accounting model in FRS 39. The Group is adopting an accounting policy choice in applying the hedge accounting requirements of SFRS(I) 9, and does not expect to have any significant impact on the financial statements.

50.2 APPLICABLE TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019 AND THEREAFTER
As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. The Group has not adopted the following relevant new/revised financial reporting standards and interpretations that have been issued but not yet effective.

FRS	Title	Effective for financial year beginning on or after
SFRS(I) 9 (Amendments)	*Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) 1-28	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 January 2019
SFRS(I) 10, SFRS(I) 1-28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is still in the process of assessing the impact of new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements.

GROUP'S MAJOR PROPERTIES

As at 31 December 2017

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value [1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	21,681	1,050,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	94,122	365,800
18 Church Street, OCBC Centre South	Office	100	118,909	68,244	162,660
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	276,983	450,000
11 Tampines Central 1	Office	100	115,824	54,583	104,000
31 Tampines Avenue 4	Office	100	97,572	41,545	80,000
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	100	34,563 [2]	31,531	72,000
260 Tanjong Pagar Road	Office	100	44,940	7,964	62,500
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,220	34,500
460 North Bridge Road	Office	100	26,576	2,330	30,500
70 Loyang Drive	Office	100	134,287	124,227	177,000
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	36,040	241,600
2 Mt Elizabeth Link	Residential	100	104,377	19,293	190,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	11,673	57,000
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,384	18,810
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	526,237	954,200
				1,320,057	4,050,570
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	17,388	39,655
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	5,626	20,239
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	167,350	217,522
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	201,112	304,450
				368,462	521,972
Other properties in					
Singapore				82,814	503,630
Malaysia				13,788	88,833
Indonesia				48,130	88,244
Greater China				1,201,889	1,649,868
Other Asia Pacific				11,833	78,336
Rest of the World				1,654	16,861
				1,360,108	2,425,772
Total [3]				**3,071,641**	**7,058,208**

(1) Valuations were made by independent firms of professional valuers.
(2) Refers to strata floor area.
(3) Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.

SHAREHOLDING STATISTICS

As at 7 March 2018

CLASS OF SHARES

Ordinary Shares

VOTING RIGHTS

One vote per share (other than treasury shares and subsidiary holdings, which are treated as having no voting rights)

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	Number of Shareholders	%	Number of Shares Held	%
1 – 99	8,670	9.97	330,788	0.01
100 – 1,000	18,852	21.69	10,476,413	0.25
1,001 – 10,000	44,945	51.71	160,199,810	3.82
10,001 – 1,000,000	14,305	16.46	672,180,952	16.03
1,000,001 and above	146	0.17	3,350,596,498	79.89
Total	**86,918**	**100.00**	**4,193,784,461**	**100.00**

Number of issued shares (including treasury shares): 4,193,784,461
Number of treasury shares held: 8,780,033
Number of subsidiary holdings held: Nil
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares: 0.21%

Note:
"Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

TWENTY LARGEST SHAREHOLDERS

Shareholders	Number of Shares Held	%*
1. Citibank Nominees Singapore Pte Ltd	666,538,713	15.93
2. Selat Pte Limited	462,024,552	11.04
3. DBS Nominees Pte Ltd	445,007,899	10.63
4. DBSN Services Pte Ltd	257,641,981	6.16
5. HSBC (Singapore) Nominees Pte Ltd	230,073,716	5.50
6. Lee Foundation	181,690,897	4.34
7. Singapore Investments Pte Ltd	157,007,526	3.75
8. Lee Rubber Company Pte Ltd	129,850,352	3.10
9. United Overseas Bank Nominees Pte Ltd	83,307,296	1.99
10. Raffles Nominees (Pte) Ltd	72,790,562	1.74
11. BPSS Nominees Singapore (Pte.) Ltd.	63,320,972	1.51
12. Lee Latex Pte Limited	59,940,381	1.43
13. Kallang Development (Pte) Limited	40,340,020	0.96
14. DB Nominees (S) Pte Ltd	36,157,603	0.86
15. Lee Pineapple Company Pte Ltd	28,046,030	0.67
16. Kew Estate Limited	25,619,097	0.61
17. Tropical Produce Company Pte Ltd	20,441,980	0.49
18. Kota Trading (Singapore) Pte Ltd	20,340,492	0.49
19. Island Investment Company Pte Ltd	18,200,411	0.44
20. Lee Plantations Pte Limited	15,616,280	0.37
Total	**3,013,956,760**	**72.01**

** Percentage is calculated based on the total number of issued shares, excluding treasury shares.*

Approximately 72.2% of the issued shares (excluding treasury 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.

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Substantial shareholders	Direct interest No. of Shares	Deemed interest No. of Shares	Total No. of Shares	%*
Lee Foundation	181,690,897	30,554,123 [(1)]	212,245,020	5.07
Selat (Pte) Limited	462,024,552	19,805,502 [(2)]	481,830,054 [(2)]	11.51 [(2)]

** Percentage is calculated based on the total number of issued shares, excluding treasury shares.*

(1) *The deemed interest represents Lee Foundation's deemed interest in (a) the 28,046,030 shares held by Lee Pineapple Company (Pte) Limited, and (b) the 2,508,093 shares held by Peninsula Plantations Sendirian Berhad.*

(2) *The deemed interest represents Selat (Pte) Limited's deemed interest in (a) the 1,605,091 shares held by South Asia Shipping Company Private Limited, and (b) the 18,200,411 shares held by Island Investment Company (Private) Limited as shown in the Register of Substantial Shareholders as at 7 March 2018. Selat (Pte) Limited has, however, informed the Bank in writing that it has ceased to have a deemed interest in these shares following a corporate restructuring exercise but that, as the cessation did not result in an overall percentage level change in Selat (Pte) Limited's interest in OCBC, no notification of the change was required to be given under the Securities and Futures Act, Chapter 289.*

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

(OCBC Group – As at 31 December 2017)

		Number of ordinary shares ('000)		
Year	**Particulars**	**Issued**	**Held in Treasury**	**In circulation**
2013	Shares issued to non-executive directors	77		
	Share buyback		(14,459)	
	Issue of shares pursuant to Share Option Schemes		7,896	
	Issue of shares pursuant to Employee Share Purchase Plan		5,180	
	Issue of shares pursuant to Deferred Share Plan		3,174	
	Year end balance	3,441,177	(8,368)	3,432,809
2014	Shares issued to non-executive directors	76		
	Shares issued in lieu of dividend	114,901		
	Shares issued pursuant to Rights Issue	436,775		
	Share buyback		(16,387)	
	Issue of shares pursuant to Share Option Schemes		5,083	
	Issue of shares pursuant to Employee Share Purchase Plan		6,278	
	Issue of shares pursuant to Deferred Share Plan		4,351	
	Year end balance	3,992,929	(9,043)	3,983,886
2015	Shares issued to non-executive directors	68		
	Shares issued in lieu of dividend	128,564		
	Share buyback		(11,750)	
	Issue of shares pursuant to Share Option Schemes		4,176	
	Issue of shares pursuant to Employee Share Purchase Plan		5,743	
	Issue of shares pursuant to Deferred Share Plan		4,788	
	Year end balance	4,121,561	(6,086)	4,115,475
2016	Shares issued to non-executive directors	58		
	Shares issued in lieu of dividend	72,110		
	Share buyback		(13,614)	
	Issue of shares pursuant to Share Option Schemes		1,497	
	Issue of shares pursuant to Employee Share Purchase Plan		26	
	Issue of shares pursuant to Deferred Share Plan		7,155	
	Year end balance	4,193,729	(11,022)	4,182,707
2017	Shares issued to non-executive directors	55		
	Share buyback		(20,560)	
	Issue of shares pursuant to Share Option Schemes		13,133	
	Issue of shares pursuant to Employee Share Purchase Plan		6,302	
	Issue of shares pursuant to Deferred Share Plan		5,076	
	Year end balance	4,193,784	(7,071)	4,186,713

GRI STANDARDS CONTENT INDEX

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE REFERENCE AND REMARKS
GENERAL DISCLOSURES		
Organisational Profile		
102-1	Name of the organisation	Oversea-Chinese Banking Corporation Limited
102-2	Activities, brands, products, and services	Our Well-Diversified Business. Refer to page 2
102-3	Location of headquarters	63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514
102-4	Location of operations	More than 600 branches and representative offices in 18 countries and regions
102-5	Ownership and legal form	Public limited company listed on the Singapore Exchange
102-6	Markets served	Key markets are Singapore, Malaysia, Indonesia and Greater China
102-7	Scale of the organisation	Our Well-Diversified Business. Refer to page 2
102-8	Information on employees and other workers	Inclusive Workforce. Refer to page 58
102-9	Supply chain	Economic Contributions. Refer to page 54
102-10	Significant changes to the organisation and its supply chain	OCBC Bank acquired National Australia Bank's Private Wealth business in Singapore and Hong Kong as announced in May 2017
102-11	Precautionary Principle or approach	OCBC does not explicitly refer to the precautionary principle or approach in its risk management principles. We seek to create sustainable value for our stakeholders. Refer to page 20
102-12	External initiatives	Our key external initiatives include observing the United Nations Global Compact (UNGC) Ten Principles and the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP) Tripartite Standards. We also support the BoardAgender 100 Champions campaign
102-13	Membership of associations	Our key memberships include The Association of Banks in Singapore (ABS), The Association of Banks in Malaysia (ABM), The Hong Kong Association of Banks (HKAB), Indonesian Banks Association (Perbanas) and China Banking Association (CBA). In 2006, OCBC became a pioneer member of Global Compact Network Singapore (GCNS) which is a local chapter of the UNGC. We are a founding member of the National Volunteer & Philanthropy Centre (NVPC) Company of Good in 2016. OCBC Wing Hang was the silver member of WWF Hong Kong in 2015
Strategy		
102-14	Statement from senior decision-maker	Board Statement. Refer to page 44
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Refer to www.ocbc.com/group/who-we-are/purpose-values.html
Governance		
102-18	Governance structure	Sustainability Governance Structure. Refer to page 45

GRI STANDARDS CONTENT INDEX

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE REFERENCE AND REMARKS
GENERAL DISCLOSURES		
Stakeholder engagement		
102-40	List of stakeholder groups	Stakeholder Engagement. Refer to page 46
102-41	Collective bargaining agreements	In Singapore, the Singapore Bank Officers Association (SBOA), Singapore Bank Employees Union (SBEU) and Singapore Manual and Mercantile Workers Union (SMMWU) represent the applicable cohort on collective bargaining In West Malaysia, the Association of Bank Officers and National Union of Bank Employees and in East Malaysia, the Sabah Banking Employees' Union and Sarawak Bank Employees' Union represent the applicable cohorts on collective bargaining
102-42	Identifying and selecting stakeholders	Stakeholder Engagement. Refer to page 46
102-43	Approach to stakeholder engagement	
102-44	Key topics and concerns raised	
Reporting Practice		
102-45	Entities included in the consolidated financial statements	About the Report. Refer to page 43
102-46	Defining report content and topic Boundaries	Our ESG Factors. Refer to page 48
102-47	List of material topics	
102-48	Restatements of information	Not Applicable. Inaugural Sustainability Report
102-49	Changes in reporting	
102-50	Reporting period	About the Report. Refer to page 43
102-51	Date of most recent report	Not Applicable. Inaugural Sustainability Report
102-52	Reporting cycle	About the Report. Refer to page 43
102-53	Contact point for questions regarding the report	corpcomms@ocbc.com
102-54	Claims of reporting in accordance with GRI Standards	About the Report. Refer to page 43
102-55	GRI Content Index	GRI Standards Content Index. Refer to page 277
102-56	External Assurance	About the Report. Refer to page 43

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE REFERENCE AND REMARKS
Management Approach			
Management Approach	103-1	Explanation of the material topic and its boundary	ESG factors. Refer to pages 50 to 62
	103-2	The management approach and its components	
	103-3	Evaluation of the management appraoch	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE REFERENCE AND REMARKS
Economic			
Economic Performance	201-1	Direct economic value generated and distributed	Economic Contributions. Refer to page 54
Indirect Economic Impacts	203-2	Significant indirect economic impacts	
Procurement Practices	204-1	Proportion of spending on local suppliers	
Anti-corruption	205-2	Communications and training on anti-corruption policies and procedures	Strong Governance. Refer to page 50
	205-3	Confirmed incidents of corruption and actions taken	
Environmental			
Energy	302-1	Energy consumption within the organisation	Environment. Refer to page 61
	302-3	Energy intensity	
Water	303-1	Water withdrawal by source	
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	
	305-4	GHG emissions intensity	
Social			
Employment	401-1	New employees hires and employee turnover	Inclusive Workforce. Refer to page 58
Training and Education	404-1	Average hours of training per year per employee	
	404-2	Programmes for upgrading employee skills and transition assistance programmes	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programmes	Community Development. Refer to page 57
Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	Fair Dealing. Refer to page 51
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Combating Financial Crimes and Cyber Threats. Refer to page 53
Financial Services Sector Disclosure			
Product Portfolio	Former FS1	Policies with specific environmental and social components applied to business lines	Responsible Financing. Refer to page 52
	Former FS2	Procedures for assessing and screening environmental and social risks in business lines	
	Former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	
Local Communities	FS14	Initiatives to improve access to financial services for disadvantaged people	Financial Inclusion. Refer to page 55
Product and Service Labelling	Former FS15	Policies for the design and sale of financial products and services	Fair Dealing. Refer to page 51
	Former FS16	Initiatives to enhance financial literacy by type of beneficiary	Financial Inclusion. Refer to page 55

FURTHER INFORMATION ON MANAGEMENT COMMITTEE

MR SAMUEL N. TSIEN
Group Chief Executive Officer

Mr Samuel Tsien was first appointed to the Board on 13 February 2014 and last re-elected as a Director on 28 April 2017. He was appointed Group Chief Executive Officer on 15 April 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 40 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles. Age 63.

MR CHING WEI HONG
Chief Operating Officer

Mr Ching Wei Hong was appointed Chief Operating Officer (COO) on 15 April 2012 and is also currently the Chairman of Bank of Singapore and OCBC Securities as well as Deputy Chairman of Lion Global Investors. In his capacity as COO of OCBC Bank, he is responsible for the Global Wealth Management and Consumer division, focusing on building the OCBC Group's consumer banking franchise and wealth management business in its key markets in Asia. Mr Ching also oversees Group Customer Experience and OCBC Bank's fintech and innovation unit, *The Open Vault at OCBC*. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 30 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. 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 the National University of Singapore. Age 58.

MR DARREN TAN
Chief Financial Officer

Mr Darren Tan was appointed Executive Vice President and Chief Financial Officer (CFO) in December 2011. As CFO, he oversees financial, regulatory and management accounting, treasury financial control, corporate treasury, funding and capital management, corporate planning and development and investor relations. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years in the Government of Singapore Investment Corporation (GIC) with his last position in GIC as Head of Money Markets. He is a council member of the Institute of Singapore Chartered Accountants and an Adjunct Professor at Nanyang Business School. Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst and a Fellow Chartered Accountant of Singapore. Age 47.

MR LAM KUN KIN
Global Treasury and Investment Banking

Mr Lam Kun Kin was appointed Head of Global Treasury in January 2007 and Senior Executive Vice President in April 2011. He has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia, Hong Kong, China and seven other overseas centres. Since February 2012, he has had the additional responsibility of overseeing the Bank's Global Investment Banking division covering capital markets, corporate finance and mezzanine capital business. Mr Lam has more than 30 years of banking and investment management experience covering global fund management, global markets sales & trading, global investment banking and Asian financial market businesses. Currently, he serves on the boards of Bank of Singapore, OCBC Securities, AVIC Trust and REACH Community Services Society. Mr Lam also serves on Great Eastern Group's Asset/Liability Committee and Investment Committee and the Government of Singapore Investment Corporation's (GIC) Board Risk Committee. Prior to joining OCBC Bank, Mr Lam held various senior management positions in GIC, Citibank and Temasek Holdings. In September 2014, he was appointed by the Monetary Authority of Singapore as Co-Chairman of the Singapore Foreign Exchange Market Committee. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and is a Chartered Financial Analyst, Fellow Chartered Accountant of Singapore, IBF Distinguished Fellow and member of the Singapore Institute of Directors. Age 55.

MR VINCENT CHOO
Group Risk Management

Mr Vincent Choo was appointed Head of Group Risk Management on 1 August 2014. As Chief Risk Officer, he covers the full spectrum of risk, including Credit, Technology and Information Security, Liquidity, Market and Operational risk management. He reports jointly to both Group CEO and the Board Risk Management Committee of OCBC Bank. Mr Choo joined OCBC Bank from Deutsche Bank AG where his last appointment was Managing Director and Chief Risk Officer for Asia Pacific. In his 20 years at Deutsche Bank AG, he served in a number of senior roles including

Head of Market Risk Management for Asia Pacific, with additional responsibilities for Traded Credit Products, and Head of New Product Approval for Asia. He holds a Master of Arts in Economics from University of Akron. Age 55.

MR LINUS GOH
Global Commercial Banking

Mr Linus Goh was appointed the Head of Global Commercial Banking in April 2012. In this capacity, he has global responsibility for OCBC Bank's commercial, institutional and transaction banking businesses. He joined OCBC Bank in April 2004 as Executive Vice President and Head of International, and in August 2008, he assumed responsibility for Global Enterprise Banking and Financial Institutions. Mr Goh has over 30 years of banking experience, including 17 years at Citibank, N.A. Singapore, where he held several senior management positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh serves as a board member of the Singapore Totalisator Board and of the Growth Enterprise Fund and SPRING SEEDS Capital under SPRING Singapore. He is a member of the Pro-Enterprise Panel under the Ministry of Trade and Industry and the SME Committee under the Singapore Business Federation where he chairs the sub-committee on SME Financing. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore and is an IBF Distinguished Fellow. Age 55.

MS ELAINE LAM
Global Corporate Banking

Ms Elaine Lam was appointed Head of Global Corporate Banking in April 2016. She is responsible for OCBC Bank's corporate banking business which spans Real Estate, Wholesale Corporate Marketing, Global Commodities Finance as well as the Bank's corporate banking business in all overseas offices. With more than 20 years of experience in corporate banking, Ms Lam also serves in the Institute of Banking and Finance's Corporate Banking Workgroup and the Financial Industry Competency Standards' Corporate Banking Working Group. Ms Lam holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University and is an IBF Fellow (Corporate Banking). Age 46.

MR NA WU BENG
CEO, OCBC Wing Hang Bank

Mr Na Wu Beng was appointed Chief Executive Officer of OCBC Wing Hang Bank in August 2014. Prior to this appointment, he was Deputy President Director of Bank OCBC NISP for 10 years and was instrumental in driving the corporate banking business and spearheading the collaborative efforts between OCBC Bank and Bank OCBC NISP across different business functions. Mr Na joined OCBC Bank in 1990 as the General Manager of OCBC Bank's Hong Kong branches. He returned to Singapore in 1999 to take on the role of Head of North Asia overseeing the bank's operations in Hong Kong, China, Taiwan, Korea and Japan. From 2000 to 2004, before his posting to Bank OCBC NISP, he headed OCBC Bank's international banking division and was responsible for branches across eight countries. Mr Na was appointed Executive Vice President in 2001. Before joining OCBC Bank, 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 University in the United Kingdom. Age 62.

MS KNG HWEE TIN
CEO, OCBC Wing Hang Bank (China)

Ms Kng Hwee Tin was appointed Executive Director and Chief Executive Officer of OCBC Bank (China) Limited in December 2012 and was responsible for the bank's growth strategy in China. The bank was rebranded OCBC Wing Hang Bank (China) Limited in July 2016. Ms Kng has more than 20 years of banking experience spanning a wide spectrum of activities. Prior to this appointment, she was OCBC Bank's Head of Group Audit overseeing the full spectrum of audit activities for the Bank and its subsidiaries. During her tenure with OCBC Bank, she also held responsibilities in risk management and implemented several key initiatives to further strengthen board governance. She was also instrumental in driving and establishing the Bank's thrust into serving the wealth needs of the affluent with the OCBC Premier Banking proposition. Ms Kng holds a Master of Business Administration from the National University of Singapore, where she was awarded the Saw Gold Medal in Finance. She recently completed her Advanced Management Program with Harvard Business School. Age 52.

MR BAHREN SHAARI
CEO, Bank of Singapore

Mr Bahren Shaari was appointed Chief Executive Officer of Bank of Singapore in February 2015. He has more than 30 years of private banking experience. Mr Shaari joined ING Asia Private Bank in 2009 and was a member of the management team that continued to lead after it was acquired by OCBC Bank in 2010 and renamed Bank of Singapore, where he was Global Head of Southeast Asia for five years. Prior to that, he was Managing Director of UBS AG Wealth Management. Mr Shaari is active in public service and has been a non-executive and independent director of Singapore Press Holdings Limited since April 2012. Mr Shaari currently serves as Chairman of its Nominating Committee and Member of its Executive Committee. Mr Shaari had previously served as a Board Member of the Maritime Port Authority of Singapore from 2000 to 2012. Mr Shaari was sworn in as an alternate member to the Council of Presidential Advisers in April 2017. Mr Shaari is an IBF Distinguished Fellow and holds a Bachelor of Accountancy degree from the National University of Singapore. Age 55.

MR TAN WING MING
Regional General Manager for North East Asia

Mr Tan Wing Ming was appointed Regional General Manager for North East Asia and the Chief Executive of OCBC Bank Hong Kong branch since September 2009. In this role, he assumes oversight of the Bank's branches in Hong Kong, Japan, Korea and Taiwan. In November 2016, he was promoted to Executive Vice President. Mr Tan joined OCBC Bank in

January 2005 as Senior Vice President and Country Head of OCBC Bank's operations in China. Following the local incorporation of OCBC Bank in China in July 2007, he was appointed Director and President of OCBC Bank (China) Limited until his current role. Mr Tan had worked for major American and European investment and commercial banks in Singapore for 10 years. He then started and managed his own private business in China for 11 years before joining OCBC Bank. Mr Tan holds a Bachelor of Arts (Economics) with Honours from Georgetown University and a Master of Business Administration (Finance) from the University of Chicago. Age 58.

MR ONG ENG BIN

CEO, OCBC Bank Malaysia

Mr Ong Eng Bin was appointed Chief Executive Officer of OCBC Malaysia in August 2014 and currently oversees the OCBC Group's Malaysian franchise. Prior to this appointment, he was its Head of Business Banking, a role he assumed in 2012 with responsibilities covering corporate and commercial, emerging business and transaction banking. He joined the bank as a management trainee in 1988 and was appointed Head of Corporate Banking & Large Corporates in 2000. Mr Ong holds a Bachelor of Accounting & Finance from the University of Manchester. Age 54.

MS PARWATI SURJAUDAJA

President Director and CEO, Bank OCBC NISP

Ms Parwati Surjaudaja was appointed the President Director and CEO of Bank OCBC NISP in December 2008. She joined Bank OCBC NISP as a Director in 1990 and served as Deputy President Director from 1997. She was appointed President Director and CEO of the bank at end-2008 and was re-elected in 2011 and 2014 for her current position. She is currently a Board Member of Perbanas and Indonesian Bankers Association. Prior to joining Bank OCBC NISP, Ms Surjaudaja had three years of corporate experience with SGV Utomo – Arthur Andersen. Ms Surjaudaja holds a Master of Business Administration (Accounting) and a Bachelor of Science Cum Laude (Accounting and Finance) from San Francisco State University. Age 53.

MR GAN KOK KIM

Global Investment Banking

Mr Gan Kok Kim was appointed Executive Vice President and Head of Global Investment Banking in February 2012. As the Head of Global Investment Banking, he oversees OCBC Bank's debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Gan joined OCBC Bank in 2004 as the Head of Treasury at OCBC Bank (Malaysia). In February 2011, he was also appointed Head of International Treasury. In August 2011, he was given the additional role of Head of Asset Liability Management in Singapore and gave up his Malaysian role. Mr Gan has more than 28 years of trading and management experience and has held various positions in Citibank N.A. He holds a Bachelor of Science in Economics from the Massachusetts Institute of Technology. Age 52.

MR DENNIS TAN

Consumer Financial Services Singapore

Mr Dennis Tan was appointed Head of Consumer Financial Services Singapore in November 2012 and Executive Vice President in April 2013. He oversees OCBC Bank's consumer banking business in Singapore. Mr Tan joined OCBC Bank in September 2009 as the Head of Branch and Group Premier Banking. Prior to OCBC Bank, he spent 16 years at Citibank Singapore, where he last held the position of Managing Director, Sales and Distribution Head of its Global Consumer Banking division. Mr Tan holds a Bachelor of Science in Business (Honours with Distinction) from Indiana University. Age 49.

MR TAN CHOR SEN

Global Enterprise Banking – International

Mr Tan Chor Sen was appointed the Head of Global Enterprise Banking – International in 2012. In addition to overseeing the growth of the emerging business segment in OCBC Bank's core markets, he is also in charge of developing cross-border capabilities and business within the region, leveraging the OCBC network and partner banks in the key markets. Mr Tan joined OCBC Bank in 2005 as Head of Emerging Business. He serves as a member of the Capital Markets Workgroup under the Monetary Authority of Singapore, the Money PAC Advisory Committee under SPRING Singapore and The Inquiry Panel under The Law Society of Singapore. He is a council member of the Singapore-Shandong Business Council and Singapore-Tianjin Economic and Trade Council under IE Singapore. Mr Tan has over 30 years of banking experience where he began his career in Commercial Banking, with postings in Consumer Banking. He later held several positions in Corporate and Offshore Banking. Mr Tan holds a Bachelor of Business Administration from the National University of Singapore and is an IBF Fellow (Corporate Banking). Age 54.

MR JASON HO

Group Human Resources

Mr Jason Ho joined OCBC Bank in January 2013 as Senior Vice President and Head of Asset Liability Management. He assumed the role of Head of Group Human Resources in July 2015, following his appointment as Deputy Head, effective January 2015. He has more than 30 years of banking experience and has held senior level positions at KBC Bank, Standard Chartered Bank and Volvo Group Treasury Asia Limited. Mr Ho holds a Bachelor of Business Administration from the National University of Singapore and a Masters in Applied Finance from Macquarie University. He also serves as a Director of the Institute for Human Resource Professionals and is a member of the HR Sectoral Tripartite Committee. Age 55.

MR LIM KHIANG TONG
Group Operations and Technology

Mr Lim Khiang Tong joined OCBC Bank in September 2000 and took on the role of Head of IT Management in January 2002. He was appointed Executive Vice President and Head of Group Information Technology in December 2007. In May 2010, he assumed the role of Head of Group Operations and Technology. He has more than 27 years of management experience in strategic technology development, information technology and banking operations. This includes driving regional processing operations, strategic technology initiatives and project management. Since August 2016, he has also assumed oversight of the bank's Quality & Service Excellence and Group Property Management divisions. He holds a Bachelor of Science (Computer Science & Economics) from the National University of Singapore. Age 57.

MS GOH CHIN YEE
Group Audit

Ms Goh Chin Yee was appointed Head of Group Audit in March 2013 and Executive Vice President in April 2014. She oversees the full spectrum of internal audit activities for OCBC Bank and its subsidiaries. She reports directly to the Audit Committee and administratively to the Group CEO. Prior to this appointment, Ms Goh was the Head of Business Management Unit in OCBC Bank's Global Treasury division. She has more than 29 years of experience in banking and has held responsibilities across various areas including strategic management, investment research, fund management, finance, risk management and treasury business management. Ms Goh holds a Bachelor of Engineering (Civil) with First Class Honours from the National University of Singapore and is a Chartered Financial Analyst. Age 53.

MS LORETTA YUEN
Group Legal and Regulatory Compliance

Ms Loretta Yuen was appointed General Counsel and Head of Group Legal and Regulatory Compliance in September 2010 and Executive Vice President in June 2015. She oversees the full spectrum of legal and regulatory risks, including anti-money laundering, across OCBC Bank and its subsidiaries, and provides advice on regulatory risks and legal issues involved in decisions to management, so that management can make informed strategic choices within an acceptable legal and regulatory risk profile. Ms Yuen has over 17 years of legal and regulatory experience in banking and finance. She graduated with Second Class Honours in Law from the National University of Singapore and is an IBF Distinguished Fellow. Age 43.

MR PETER YEOH
Group Secretariat

Mr Peter Yeoh joined OCBC Bank in January 1984. Since joining the Bank, he has held responsibilities in finance, accounting, management information services and strategic projects. He was appointed Company Secretary in August 2002, a role that includes responsibilities for corporate governance and board affairs. He holds a Bachelor of Commerce from the University of Western Australia, and he is a Member of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants. Age 63.

MR VINCENT SOH
Group Property Management

Mr Vincent Soh was appointed Head, Group Property Management, and Managing Director of OCBC Property Services Pte Ltd, a wholly-owned subsidiary of OCBC Bank, in June 2004. He is responsible for managing the Group's real estate portfolio. He has held senior-level positions in the public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors in the United Kingdom. Age 61.

MR NEO BOCK CHENG
Global Transaction Banking

Mr Neo Bock Cheng joined OCBC Bank in October 2003 as Head of Cash Management. He was appointed Senior Vice President in April 2005 to oversee the Global Transaction Banking Division which provides cash management, trade finance and nominee services to corporate and commercial banking customers. In April 2012, he was appointed Executive Vice President. Mr Neo brings with him more than 27 years of corporate banking experience, including over 13 years with regional assignments at several major international banks such as Citibank and JPMorgan Chase. Mr Neo graduated with a Bachelor of Engineering (Civil) degree from the National University of Singapore. Age 52.

MS KOH CHING CHING
Group Corporate Communications

Ms Koh Ching Ching was appointed Head of Group Corporate Communications in November 2004 and Executive Vice President in March 2012. 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 OCBC Bank's franchise expansion efforts in trade finance in Malaysia. Before this, Ms Koh had 16 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 the National University of Singapore. Age 49.

INTERNATIONAL NETWORK

SOUTHEAST ASIA

SINGAPORE

OCBC Bank Limited
Head Office
63 Chulia Street
#10-00 OCBC Centre East
Singapore 049514
Tel: (65) 6318 7222
Fax: (65) 6534 3986
www.ocbc.com

OCBC Bank has 51 branches in Singapore.

Bank of Singapore Limited
Head Office
63 Market Street
#22-00
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6559 8000
Fax: (65) 6559 8180
www.bankofsingapore.com

Great Eastern Holdings Limited
The Great Eastern Life Assurance Company Limited
Great Eastern General Insurance Limited
Head Office
1 Pickering Street
#01-01 Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2000
Fax: (65) 6532 2214
www.greateasternlife.com

Great Eastern Financial Advisers Private Limited
1 Pickering Street
#01-01 Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2121
Fax: (65) 6327 3073
www.greateasternfa.com.sg

Lion Global Investors Limited
65 Chulia Street
#18-01 OCBC Centre
Singapore 049513
Tel: (65) 6417 6800
Fax: (65) 6417 6801
www.lionglobalinvestors.com

OCBC Securities Private Limited
18 Church Street
#01-00 OCBC Centre South
Singapore 049479
Tel: (65) 6338 8688
Fax: (65) 6538 9115
www.iocbc.com

BOS Trustee Limited
63 Market Street #14-00
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6818 6478
Fax: (65) 6818 6487

OCBC Property Services Private Limited
18 Cross Street
#11-01/03
China Square Central
Singapore 048423
Tel: (65) 6533 0818

BRUNEI

The Great Eastern Life Assurance Company Limited
Units 17/18, Block B
Bangunan Habza
Spg 150, Kpg. Kiarong
Bandar Seri Begawan BE 1318
Negara Brunei Darussalam
Tel: (673) 223 3118
Fax: (673) 223 8118
www.greateasternlife.com/bn

Lion Global Investors Limited
Brunei Branch
Unit 3A, Level 5,
Retail Arcade
The Empire Hotel &
Country Club
Jerudong BG3122
Negara Brunei Darussalam
Tel: (673) 261 0925/261 0926
Fax: (673) 261 1823

INDONESIA

PT Bank OCBC NISP Tbk
Head Office
OCBC NISP Tower
Jl Prof. Dr. Satrio Kav. 25
Jakarta 12940
Indonesia
Tel: (62) 21 2553 3888
Fax: (62) 21 5794 4000
www.ocbcnisp.com

PT Bank OCBC NISP Tbk has 338 offices in Indonesia.

PT Great Eastern Life Indonesia
Head Office
Menara Karya 5th Floor
Jl H.R. Rasuna Said Blok X-5
Kav.1-2
Jakarta Selatan 12950
Indonesia
Tel: (62) 21 2554 3888
Fax: (62) 21 5794 4717
www.greateasternlife.com

PT OCBC Sekuritas Indonesia
Head Office
Indonesia Stock Exchange
Building Tower 2
29th Floor
Suite 2901
Jl Jend. Sudirman Kav. 52-53
Jakarta 12190
Indonesia
Tel: (62) 21 2970 9300
Fax: (62) 21 2970 9393
www.ocbcsekuritas.com

MALAYSIA

OCBC Bank (Malaysia) Berhad
Head Office
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
www.ocbc.com.my

OCBC Contact Centre:
Within Malaysia
Tel: (603) 8317 5000
(Personal)
Tel: 1300 88 7000
(Corporate)

Outside Malaysia
Tel: (603) 8317 5000
(Personal)
Tel: (603) 8317 5200
(Corporate)

OCBC Bank (Malaysia) Berhad has 32 branches in Malaysia.

OCBC Al-Amin Bank Berhad
Head Office
25th floor Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Malaysia

General Enquiries:
Within Malaysia
Tel: (603) 8314 9310
(Personal)
Tel: 1300 88 0255
(Corporate)

Outside Malaysia
Tel: (603) 8314 9310
(Personal)
Tel: (603) 8314 9090
(Corporate)

OCBC Al-Amin Bank Berhad has 13 branches in Malaysia.

OCBC Bank Limited
Labuan Branch
Licensed Labuan Bank
(940026C) Level 8 (C)
Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory
Malaysia
Tel: (60-87) 423 381/82
Fax: (60-87) 423 390

Great Eastern Life Assurance (Malaysia) Berhad
Head Office
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8888
Fax: (603) 4259 8000
www.greateasternlife.com

Great Eastern Life Assurance (Malaysia) Berhad has 21 operational branch offices in Malaysia.

Great Eastern General Insurance (Malaysia) Berhad
Head Office
Level 18
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8888
Fax: (603) 4813 0055
www.greateasterngeneral.com

Great Eastern General Insurance (Malaysia) Berhad has 13 branches and six servicing offices in Malaysia.

Great Eastern Takaful Berhad (916257-H)
Level 3
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8338
Fax: (603) 4259 8808
www.greateasterntakaful.com

Great Eastern Takaful Berhad has three agency offices.

Pacific Mutual Fund Bhd
1001, Level 10 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: (603) 7725 9877
Fax: (603) 7725 9860
www.pacificmutual.com.my

OCBC Advisers (Malaysia) Sdn Bhd
13th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5696
Fax: (603) 2691 6616

Pac Lease Berhad
Level 12 & 13, Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: (603) 2035 1000
Fax: (603) 2032 3300

OCBC Properties (Malaysia) Sdn Bhd
27th Floor, Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (603) 2054 3844
Fax: (603) 2031 7378

MYANMAR

OCBC Bank Limited
Yangon Branch
Union Financial Center (UFC)
Unit 02-10
Corner of Mahabandoola
Road & Thein Phyu Road
45th Street
Botataung Township
Yangon
Republic of Union of Myanmar
Tel: (951) 861 0388
Fax: (951) 861 0394

The Great Eastern Life Assurance Company Limited
Myanmar Representative Office
Level 3, Unit No. 03-09
Union Business Centre
Nat Mauk Road
Bo Cho Quarter
Bahan Township
Yangon
Republic of Union of Myanmar
Tel/Fax: (951) 860 3384
www.greateasternlife.com

PHILIPPINES

Bank of Singapore Limited
Philippine Representative Office
22/F Tower One and
Exchange Plaza
Ayala Triangle Ayala Avenue
1226 Makati City
Philippines
Tel: (632) 479 8988
Fax: (632) 848 5223

THAILAND

OCBC Bank Limited
Bangkok Branch
Unit 2501-2 25th Floor
Q House Lumpini
1 South Sathorn Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel: (66) 2 287 9888
Fax: (66) 2 287 9898

VIETNAM

OCBC Bank Limited
Ho Chi Minh Branch
Unit 708-709 Level 7
Saigon Tower
29 Le Duan Street
District 1
Ho Chi Minh City
Vietnam
Tel: (84) 8 3823 2627
Fax: (84) 8 3823 2611

EAST ASIA

JAPAN

OCBC Bank Limited
Tokyo Branch
Sanno Park Tower
5th Floor 11-1
Nagata-cho 2 chome
Chiyoda-ku
Tokyo 100-6105
Japan
Tel: (81) 3 5510 7660
Fax: (81) 3 5510 7661

SOUTH KOREA

OCBC Bank Limited
Seoul Branch
Taepyung-ro 1-ka
25th Floor
Seoul Finance Center
136 Sejong-daero
Jung-gu
Seoul 04520
Republic of Korea
Tel: (82) 2 2021 3900
Fax: (82) 2 2021 3908

GREATER CHINA

CHINA

OCBC Wing Hang Bank (China) Limited
Head Office
OCBC Bank Tower
No. 1155 Yuanshen Road
Pudong New District
Shanghai 200135
People's Republic of China
Tel: (86) 21 5820 0200
Fax: (86) 21 5830 1925
www.ocbc.com.cn

Including its head office, OCBC Wing Hang China has 27 branches and sub-branches in 14 cities namely Beijing, Shanghai, Xiamen, Tianjin, Chengdu, Guangzhou, Shenzhen, Chongqing, Qingdao, Shaoxing, Suzhou, Zhuhai, Foshan and Huizhou.

The Great Eastern Life Assurance Company Limited
Beijing Representative Office
No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A Beijing Xi Cheng District
Beijing 100045
People's Republic of China
Tel: (86) 10 5856 5501
Fax: (86) 10 5856 5502

Bank of Ningbo Co., Ltd
Head Office
No. 345, Ning Dong Road
Ningbo Zhejiang 315042
People's Republic of China
Tel: (86) 574 8705 0028
Fax: (86) 574 8705 0027
www.nbcb.com.cn

Bank of Ningbo is OCBC Bank's strategic partner in China.

As at end December 2017, it had 315 branches, sub-branches and offices, covering the cities of Ningbo, Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou and Jiaxing.

HONG KONG SAR

OCBC Bank Limited
Hong Kong Branch
9/F Nine Queen's Road
Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

Bank of Singapore Limited
Hong Kong Branch
35/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong SAR
Tel: (852) 2846 3980
Fax: (852) 2295 3332

OCBC Wing Hang Bank Limited
Head Office
161 Queen's Road Central
Hong Kong SAR
Tel: (852) 2852 5111
Fax: (852) 2541 0036
www.ocbcwhhk.com

OCBC Wing Hang Bank Limited has a total of 40 branches in Hong Kong.

OCBC Wing Hang Credit Limited
Head Office
14/F Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong SAR
Tel: (852) 2251 0369
Fax: (852) 2907 6323
www.ocbcwhcr.com

OCBC Wing Hang Credit Limited has a total of 24 offices in Hong Kong.

MACAO SAR

OCBC Wing Hang Bank Limited
Head Office
241 Avenida de Almeida Ribeiro
Macao
Tel: (853) 2833 5678
Fax: (853) 2857 6527
www.ocbcwhmac.com

OCBC Wing Hang Bank Limited has a total of 12 branches in Macao.

TAIWAN

OCBC Bank Limited
Taipei Branch
Suite 203 2nd Floor
205 Tun Hwa North Road
Bank Tower
Taipei 105
Taiwan
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

NORTH AMERICA

UNITED STATES OF AMERICA

OCBC Bank Limited
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

OCBC Bank Limited
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

OCEANIA

AUSTRALIA

OCBC Bank Limited
Sydney Branch
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 5703

EUROPE

UNITED KINGDOM

OCBC Bank Limited
London Branch
The Rex Building 3rd Floor
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) 20 7653 0900
Fax: (44) 20 7489 1132

Bank of Singapore is the trading name of Oversea-Chinese Banking Corporation Limited's private banking business in London.

MIDDLE EAST

UNITED ARAB EMIRATES

Bank of Singapore Limited
(DIFC Branch)
Office 30-32, Level 28,
Central Park Tower,
Dubai International Financial Centre
P.O. Box 4296
Dubai U.A.E
Tel: (971) 4427 7100

FINANCIAL CALENDAR

FEBRUARY

14 FEBRUARY 2018	Announcement of full year results for 2017

APRIL

30 APRIL 2018	Annual General Meeting

MAY

MAY 2018	Announcement of first quarter results for 2018

JUNE

4 JUNE 2018	Payment of 2017 final dividend on ordinary shares (subject to shareholders' approval at AGM)

AUGUST

AUGUST 2018	Announcement of second quarter results for 2018 Payment of 2018 interim dividend on ordinary shares (subject to approval by the Board)

NOVEMBER

NOVEMBER 2018	Announcement of third quarter results for 2018

NOTICE OF ANNUAL GENERAL MEETING

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
(Company Reg. No: 193200032W)

NOTICE IS HEREBY GIVEN that the Eighty-First Annual General Meeting of Oversea-Chinese Banking Corporation Limited (the "Bank") will be held at Sands Expo & Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956, on Monday, 30 April 2018 at 2.30 p.m. to transact the following business:

As Routine Business

1 To receive and consider the Directors' statement and audited financial statements for the financial year ended 31 December 2017 and the report of the Auditors thereon.

2 To re-elect the following Directors retiring by rotation:

(a) Mr Ooi Sang Kuang
(b) Mr Lai Teck Poh
(c) Mr Pramukti Surjaudaja

3 To re-elect Mr Chua Kim Chiu, a Director retiring under Article 104 of the Bank's Constitution.

4 To approve a final one-tier tax exempt dividend of 19 cents per ordinary share, in respect of the financial year ended 31 December 2017.

5 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2017 comprising the following:

(a) Directors' fees of S$2,979,000 (2016: S$3,121,000).

(b) 6,000 ordinary shares of the Bank for each non-executive Director of the Bank who has served for the entire financial year ended 31 December 2017 (2016: 6,000 ordinary shares), pro-rated for each non-executive Director of the Bank who has served for less than the entire financial year ended 31 December 2017, based on the length of his service during that financial year, and for this purpose to pass the following Resolution with or without amendments as an Ordinary Resolution:

That:

(i) pursuant to Article 143 of the Constitution of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 52,668 ordinary shares 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 Ooi Sang Kuang (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(2) Mr Chua Kim Chiu (or for the account of such depository agent as he may direct) in respect of 1,693 Remuneration Shares;

(3) Ms Christina Hon Kwee Fong (Christina Ong) (or for the account of such depository agent as she may direct) in respect of 6,000 Remuneration Shares;

(4) Mr Lai Teck Poh (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(5) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(6) Mr Quah Wee Ghee (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(7) Mr Pramukti Surjaudaja (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(8) Mr Tan Ngiap Joo (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(9) Dr Teh Kok Peng (or for the account of such depository agent as he may direct) in respect of 2,975 Remuneration Shares; and

(10) Mr Wee Joo Yeow (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2017, 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.

6 To re-appoint KPMG LLP as Auditors of the Bank and to authorise the Directors to fix their remuneration.

As Special Business

To consider and, if thought fit, to pass the following Resolutions which will be proposed as Ordinary Resolutions:

7 That authority be and is hereby given to the Directors of the Bank to:

(I) (i) issue ordinary shares 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) shall not exceed 50 per cent. of the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings (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) shall not exceed 10 per cent. of the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings (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 (the "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 of the Bank excluding treasury shares and subsidiary holdings shall be based on the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings 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,

and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(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 Constitution 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.

8 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 allot and issue from time to time such number of ordinary shares of the Bank as may be required to be issued pursuant to the exercise of options under the 2001 Scheme; and/or

(II) grant rights to acquire ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"), and allot and issue from time to time such number of ordinary shares of the Bank as may be required to be issued pursuant to the exercise of rights to acquire 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 of the Bank excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) from time to time.

9 That authority be and is hereby given to the Directors of the Bank to allot and issue from time to time such number of ordinary shares of the Bank as may be required to be allotted and issued pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme.

10 That:

(I) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Bank of all the powers of the Bank to purchase or otherwise acquire issued ordinary shares of the Bank ("Ordinary Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and/or any other stock exchange on which the Ordinary Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(II) unless varied or revoked by the Bank in General Meeting, the authority conferred on the Directors of the Bank pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Bank is held;

(ii) the date by which the next Annual General Meeting of the Bank is required by law to be held; and

(iii) the date on which purchases and acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(III) in this Resolution:

"Average Closing Price" means the average of the last dealt prices of an Ordinary Share for the five consecutive market days on which the Ordinary Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Bank or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Bank announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from holders of Ordinary Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Limit" means that number of Ordinary Shares representing 5% of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and

(ii) in the case of an off-market purchase of an Ordinary Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Ordinary Shares; and

(IV) the Directors of the Bank and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

Peter Yeoh
Secretary

Singapore
6 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
(Company Reg. No: 193200032W)

Notes:

1. A presentation by Management on the Group's financial performance will commence at 1.30 p.m. and end at 2.15 p.m. prior to the commencement of the Annual General Meeting.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Bank.

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, 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time appointed for holding the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Bank (i) consents to the collection, use and disclosure of the member's personal data by the Bank (or its agents or service providers) for the purpose of the processing, administration and analysis by the Bank (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Bank (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Bank (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Bank (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Bank in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Explanatory Notes on Routine and Special Business

Ordinary Resolutions 2(a), (b) and (c)

Resolutions 2(a), (b) and (c) are to re-elect Directors who are retiring by rotation.

(a) In relation to Resolution 2(a), there are no relationships (including immediate family relationships) between Mr Ooi Sang Kuang and the other Directors of the Bank.

(b) In relation to Resolution 2(b), there are no relationships (including immediate family relationships) between Mr Lai Teck Poh and the other Directors of the Bank.

(c) In relation to Resolution 2(c), there are no relationships (including immediate family relationships) between Mr Pramukti Surjaudaja and the other Directors of the Bank.

Please refer to the "Board of Directors" section on pages 14 and 16 and "Board Composition and Guidance" section in the Corporate Governance Report on page 66 of the Annual Report 2017 for more information on these Directors (including information, if any, on the relationships between these Directors and the Bank or its 10% shareholders).

Ordinary Resolution 3

Resolution 3 is to re-elect a Director who is retiring under Article 104 of the Bank's Constitution.

In relation to Resolution 3, there are no relationships (including immediate family relationships) between Mr Chua Kim Chiu and the other Directors of the Bank.

Please refer to the "Board of Directors" section on page 14 and "Board Composition and Guidance" section in the Corporate Governance Report on page 66 of the Annual Report 2017 for more information on this Director (including information, if any, on the relationships between this Director and the Bank or its 10% shareholders).

Ordinary Resolution 5(a)

Resolution 5(a) is to authorise the payment of S$2,979,000 as Directors' fees to the non-executive Directors of the Bank for the financial year ended 31 December 2017 ("FY 2017"). This is lower than the amount of S$3,121,000 paid for the financial year ended 31 December 2016 largely because there were fewer meetings held during the year. The fees include pro-rated fees payable to Dr Teh Kok Peng. Dr Teh ceased to be a Director of the Bank on 1 July 2017. Details of the Directors' fee structure can be found on page 68 of the Annual Report 2017.

Ordinary Resolution 5(b)

Resolution 5(b) is to authorise the Directors to issue ordinary shares of the Bank to the non-executive Directors as part of their remuneration for FY 2017.

A non-executive Director of the Bank will be eligible for an award of ordinary shares if he has served for the entire FY 2017, with the number of ordinary shares to be issued to a non-executive Director of the Bank who has served for less than the entire FY 2017 to be pro-rated accordingly, based on the length of his service during FY 2017.

The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2017 are Mr Ooi Sang Kuang, Mr Chua Kim Chiu, Ms Christina Hon Kwee Fong (Christina Ong), Mr Lai Teck Poh, Dr Lee Tih Shih, Mr Quah Wee Ghee, Mr Pramukti Surjaudaja, Mr Tan Ngiap Joo, Dr Teh Kok Peng and Mr Wee Joo Yeow.

It is proposed that, for FY 2017, 6,000 ordinary shares be issued to each non-executive Director named above (2016: 6,000 ordinary shares), save that 1,693 ordinary shares are proposed to be issued to Mr Chua Kim Chiu (who was appointed as a non-executive Director of the Bank on 20 September 2017) and 2,975 ordinary shares are proposed to be issued to Dr Teh Kok Peng (who stepped down as a non-executive Director of the Bank on 1 July 2017). The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under Resolution 5(a).

The issue of ordinary shares under Resolution 5(b) will be made pursuant to Article 143 of the Constitution 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 of the Bank. The Singapore Exchange Securities Trading Limited (the "SGX-ST") has given in-principle approval for the listing and quotation of such new ordinary shares. Such approval is subject to (a) compliance with the SGX-ST's listing requirements, and (b) shareholders' approval for the issuance of such new ordinary shares in compliance with Listing Rule 804. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of such new ordinary shares, the Bank and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made in this explanatory note to Resolution 5(b).

The non-executive Directors (including Dr Teh Kok Peng) who will each, subject to shareholders' approval, be awarded ordinary shares as part of their remuneration for FY 2017, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, Resolution 5(b).

Ordinary Resolution 7

Resolution 7 is to authorise the Directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares of the Bank and/or to make or grant instruments (such as warrants or debentures) convertible into ordinary shares ("Instruments"), 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 of the Bank excluding treasury shares and subsidiary holdings, with a sub-limit of ten per cent. (10%) for issues other than on a *pro rata* basis to shareholders of the Bank.

For the purpose of determining the aggregate number of ordinary shares that may be issued, the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings shall be based on the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for (1) 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 (2) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares of the Bank will require shareholders' approval. As at 7 March 2018 (the "Latest Practicable Date"), the Bank had 8,780,033 treasury shares and no subsidiary holdings.

The Directors will only issue ordinary shares and/or Instruments under this Resolution if they consider it necessary and in the interests of the Bank.

Ordinary Resolution 8

Resolution 8 is to authorise the Directors to (i) offer and grant options, and allot and issue ordinary shares, in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme"), and/or (ii) grant rights to acquire, and allot and issue, ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (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. (10%) of the total number of issued ordinary shares 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 2001 Scheme, shall not exceed 15 per cent. (15%) of the total number of issued ordinary shares of the Bank from time to time, Resolution 8 provides for a lower limit of 5 per cent. (5%) of the total number of issued ordinary shares of the Bank excluding treasury shares and subsidiary holdings from time to time, as the Bank does not anticipate that it will require a higher limit before the next Annual General Meeting.

Ordinary Resolution 9

Resolution 9 is to authorise the Directors to issue ordinary shares pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Ordinary Resolution 10

Resolution 10 is to renew the mandate to allow the Bank to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in this Resolution.

The Bank intends to use its internal sources of funds to finance its purchase or acquisition of ordinary shares. The amount of financing required for the Bank to purchase or acquire its ordinary shares, and the impact on the Bank's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the ordinary shares are purchased or acquired out of capital or profits of the Bank, the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued ordinary shares of the Bank as at the Latest Practicable Date, the purchase by the Bank of 5% of its issued ordinary shares (disregarding the ordinary shares held in treasury) will result in the purchase or acquisition of 209,250,221 ordinary shares.

Assuming that the Bank purchases or acquires the 209,250,221 ordinary shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) (in the case of market purchases of ordinary shares) S$2,891.84 million based on S$13.82 for one ordinary share (being the price equivalent to 5% above the Average Closing Price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date); and

(b) (in the case of off-market purchases of ordinary shares) S$3,029.94 million based on S$14.48 for one ordinary share (being the price equivalent to 10% above the Average Closing Price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date).

The financial effects of the purchase or acquisition of such ordinary shares by the Bank pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017 based on these assumptions are set out in paragraph 2.7 of the Bank's Letter to Shareholders dated 6 April 2018 (the "Letter").

Please refer to the Letter for more details.

PROXY FORM

OVERSEA-CHINESE BANKING CORPORATION LIMITED
(Incorporated in Singapore)
Company Registration Number: 193200032W

IMPORTANT:

Multiple Proxies

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.

CPF/SRS Investors

2. This form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares of the Bank through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data

3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2018.

Management Presentation

4. A presentation by Management on the Group's financial performance will commence at 1.30 p.m. and end at 2.15 p.m. prior to the commencement of the Annual General Meeting.

I/We, (Name) ____________________

(NRIC/Passport/Co. Reg. No.) ____________________ of (Address) ____________________

____

being a shareholder/shareholders of Oversea-Chinese Banking Corporation Limited (the "Bank"), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Bank to be held at Sands Expo & Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956, on Monday, 30 April 2018 at 2.30 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below 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.	Ordinary Resolutions	For	Against
	Routine Business		
1	Adoption of Directors' statement and audited financial statements for the financial year ended 31 December 2017 and Auditors' report		
2(a)	Re-election of Mr Ooi Sang Kuang		
2(b)	Re-election of Mr Lai Teck Poh		
2(c)	Re-election of Mr Pramukti Surjaudaja		
3	Re-election of Mr Chua Kim Chiu		
4	Approval of final one-tier tax exempt dividend		
5(a)	Approval of amount proposed as Directors' fees in cash		
5(b)	Approval of allotment and issue of ordinary shares to the non-executive Directors		
6	Re-appointment of Auditors and fixing their remuneration		
	Special Business		
7	Authority to issue ordinary shares, and make or grant instruments convertible into ordinary shares		
8	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)		
9	Authority to allot and issue ordinary shares pursuant to OCBC Scrip Dividend Scheme		
10	Approval of renewal of Share Purchase Mandate		

Note: Voting will be conducted by poll.

Dated this __________ day of __________ 2018

Total Number of Ordinary Shares Held

____

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 (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Bank), 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. 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. (a) An ordinary shareholder ("Shareholder") of the Bank who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such Shareholder's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A Shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder. Where such Shareholder's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A proxy need not be a Shareholder of the Bank.
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, 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time set for holding the Annual General Meeting. Completion and return of the instrument appointing a proxy or proxies by a Shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
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, Chapter 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 (including any related attachment). 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 72 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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c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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CORPORATE PROFILE

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore and the Asia Pacific by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 600 branches and representative offices in 18 countries and regions. These include over 330 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macao under OCBC Wing Hang.

OCBC Bank's private banking services are provided by its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit www.ocbc.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Ooi Sang Kuang
Chairman

Mr Chua Kim Chiu
Mr Lai Teck Poh
Dr Lee Tih Shih
Ms Christina Ong
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja
Mr Tan Ngiap Joo
Mr Samuel N. Tsien
Mr Wee Joo Yeow

NOMINATING COMMITTEE
Mr Tan Ngiap Joo
Chairman

Mr Ooi Sang Kuang
Mr Lai Teck Poh
Dr Lee Tih Shih
Mr Wee Joo Yeow

EXECUTIVE COMMITTEE
Mr Ooi Sang Kuang
Chairman

Dr Lee Tih Shih
Mr Quah Wee Ghee
Mr Tan Ngiap Joo
Mr Samuel N. Tsien
Mr Wee Joo Yeow

AUDIT COMMITTEE
Mr Chua Kim Chiu
Chairman

Mr Lai Teck Poh
Ms Christina Ong
Mr Tan Ngiap Joo

REMUNERATION COMMITTEE
Mr Wee Joo Yeow
Chairman

Mr Ooi Sang Kuang
Ms Christina Ong
Mr Quah Wee Ghee
Mr Tan Ngiap Joo

RISK MANAGEMENT COMMITTEE
Mr Lai Teck Poh
Chairman

Mr Ooi Sang Kuang
Mr Chua Kim Chiu
Mr Pramukti Surjaudaja
Mr Samuel N. Tsien
Mr Wee Joo Yeow

SECRETARIES
Mr Peter Yeoh
Ms Sherri Liew

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Fax: (65) 6534 3986
Email: ContactUs@ocbc.com
Website: www.ocbc.com

SHARE REGISTRATION OFFICE
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16 Raffles Quay #22-00
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Singapore 048581
Tel: (65) 6213 3388

PARTNER IN CHARGE OF THE AUDIT
Mr Leong Kok Keong
(Year of Appointment: 2016)

Designed by: Sycamore & Co.
Printed by: Medialink Printing Services Pte Ltd

OCBC Bank

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W