OCBC Bank

Unwavering Focus on Sustainable Value Creation

Supported by future-smart talent development and digital transformation

Annual Report 2018

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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.

On front cover
1. OCBC Centre
2. Great Eastern Centre
3. Bank of Singapore Centre
4. OCBC Centre East

OCBC's Brand Promise —
To be ***Simply Spot On*** for our customers

simply spot on

深知你心
更合你意

On 29 October 2018, we launched our Brand Promise to be ***Simply Spot On*** for our customers.

The Brand Promise – ***Simply Spot On*** – is not a marketing campaign or an advertising tagline. It is a pledge to our customers that we make it a point to truly understand their needs and to come up with the best solutions for them through every stage of their lives.

Being ***Simply Spot On*** is the focus of our entire organisation and is a cornerstone in our unwavering focus on long-term, sustainable value creation for all our stakeholders.

The smaller circle of the Brand Promise icon means that everything we do – even the smallest thing – is important in delivering the ***Simply Spot On*** experience to our customers. By getting everything right, it will all come together to form the bigger circle which represents OCBC and what customers expect of us.

"The Brand Promise tagline is easy to remember, but not easy to live up to. It is simple and clear in what we are promising our customers, but it also means that we have set ourselves a very high bar to meet. And that is why everyone at OCBC is committed to living the Brand Promise every day so that we can deliver the ***Simply Spot On*** experience to our customers consistently."

Mr Samuel Tsien
Group Chief Executive Officer

Our Brand Promise Campaign in Numbers

More than
15m
views of our ***Simply Spot On*** campaign online within the first six weeks of the campaign launch

Enhanced the perception of OCBC for
76%
of those who saw the ***Simply Spot On*** campaign

200
customer touchpoints identified across the Bank to assess our readiness to live up to the Brand Promise

8,000
tumblers given to staff to encourage #noplastics use, in line with our efforts to be ***Simply Spot On*** for the environment

16
taglines tested, with ***Simply Spot On*** coming out tops by a wide margin

Tapped into the subconscious minds of
2,400
research participants to assess our taglines in an implicit association test

Be Reliable

Act in customers' best interests

Execute well and on time

Listen to what customers want

- Be a partner that customers can always rely on to protect their interests
- Take ownership and accountability, and actively support each other to help customers
- Do what we promise fully and on time – small things matter too
- Provide the best solution to solve customers' problems; if not, offer alternatives

Be Smart and Knowledgeable

Anticipate needs

Develop right solutions and deliver right advice

No misleading, no misguiding, no misselling

- Listen to customers, understand and anticipate their needs
- Provide appropriate advisory and solutions meeting customers' needs
- Develop processes and invest in infrastructure and training to equip employees with relevant knowledge
- Provide easy-to-use tools and processes to help our customers consider, buy and use our products and services

Take a Long-Term View

Protect customers' interests

Support customers' growth journeys

Value total relationship

- Be fair and transparent in our dealings with customers
- Build customer relationships that last – through their life stages and business growth cycles
- When tough business calls have to be made, be empathetic in execution and customer communications

Message from Chairman and CEO

From left

Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ooi Sang Kuang
Chairman

Dear Shareholders

OCBC is committed to creating sustainable value for all its stakeholders. In 2018, we continued to deepen and broaden our relationships with our stakeholders. For our customers, we expanded our suite of services to help them advance their goals. We strengthened our digital capabilities and created integrated digital ecosystems to offer customers a seamless banking experience and a broader range of innovative solutions. OCBC also elevated its stewardship in driving sustainable and socially responsible business practices, and stepped up our investments to upskill our talented workforce. The successful execution of our corporate strategy, effective employment of our capital and people, together with the proactive engagement with all stakeholders, contributed to strong business growth and high customer satisfaction scores, and delivered record earnings in 2018.

Performance Review

The strong global growth momentum and upbeat market conditions in the early part of 2018 were not sustained into the year. As the year progressed, market sentiments turned bearish and economic expansion moderated. The global economy was weighed down by the escalating trade dispute between the United States and China, the moderation of growth in the major economies, the uncertainties of Brexit and the political jitters in Europe. These developments, together with tighter monetary conditions as the U.S. Federal Reserve raised interest rates, undermined consumer confidence and negatively impacted business activity which led to a slowdown of international trade, cross-border real investments and capital flows during the year. The confluence of these factors contributed to sharp declines in major international stock indices and heightened risks for financial markets globally.

As the year progressed, we elevated our vigilance and continued to invest in our established franchise and seek new opportunities for growth. We enhanced our risk management processes, including stress testing our portfolios, closely monitoring weak credits and strengthening our cyber resilience capabilities by adopting a "defence-in-depth" approach. The prudent management of our businesses in our key markets has underpinned the soundness and sustainability of our diversified strategy, and we are pleased to report that OCBC ended the year with a record net profit of S$4.49 billion, a commendable 11% increase from S$4.05 billion a year ago. We further strengthened our capital position and stayed firmly focused on OCBC's corporate strategy of developing and investing in our core banking, wealth management and insurance franchise across Asia. We lifted our return on equity to 11.5% in 2018 from 11.0% a year ago, and strengthened our Common Equity Tier 1 capital adequacy ratio to 14.0% from 13.1% a year ago. Our results demonstrated the resilience and strength of our diversified business franchise, disciplined cost control, prudent risk management practices and upskilling of our human talent. Our balance sheet strength is also reflected in our credit ratings, which are among the highest in the world at AA-/Aa1/AA- as rated by S&P, Moody's and Fitch respectively.

Net Profit
(S$ billion)

11% ↑

4.49 (2018) | 4.05 (2017)

Total Income
(S$ billion)

2% ↑

9.70 (2018) | 9.53 (2017)

Return on Equity
(%)

0.5 percentage points ↑

11.5 (2018) | 11.0 (2017)

Earnings per Share
(S$)

12% ↑

1.06 (2018) | 0.95 (2017)

Customer Loans
(S$ billion)

9% ↑

258 (2018) | 237 (2017)

Customer Deposits
(S$ billion)

4% ↑

295 (2018) | 284 (2017)

Non-Performing Loans Ratio
(%)

Stable

1.5 (2018) | 1.5 (2017)

Basel III Fully Phased-in Common Equity Tier 1 Capital Adequacy Ratio
(%)

0.9 percentage points ↑

14.0 (2018) | 13.1 (2017)

Please refer to Management Discussion and Analysis on page 120.

Beyond financial performance, OCBC was recognised in 2018 as the Strongest Bank in Singapore by The Asian Banker. OCBC was also ranked as the Best Bank in Singapore and One of the World's Safest Commercial Banks by Global Finance. We are proud to receive these industry recognitions and are grateful to all our customers and shareholders for the strong support over the years.

Dividends

Supported by record earnings and a strong capital position, the Board has recommended a final tax-exempt dividend of 23 cents per share, an increase of 21% from the previous year's 19 cents per share. This brings the total full year 2018 dividend to 43 cents, 16% above the 37 cents paid in 2017. The proposed total 2018 dividend amounted to S$1.82 billion and translated to a dividend payout ratio of 40% of 2018's core earnings. To continue to provide our shareholders with the option of reinvesting in OCBC Bank, the Scrip Dividend Scheme will be applicable to the final dividend and the issue price for the new shares will be set at a 10% discount to the average of the daily volume weighted average prices of the shares for each of the market days during the price determination period between 3 May 2019 (the ex-dividend date) and 6 May 2019 (the books closure date), both dates inclusive.

In setting the quantum of the dividend, OCBC seeks to maintain a dividend payout that is sustainable and predictable over the long term, while providing a reliable and attractive return to our shareholders. Our dividend policy is also premised on ensuring that we maintain a strong capital position to support business expansion while having the capacity to capture market opportunities when they arise.

Message from Chairman and CEO

Commitment to Integrity and Honesty

Maintaining the Highest Standards of Corporate Governance
As the longest established Singapore bank, we have earned our customers' trust and confidence by maintaining a solid reputation for integrity and honesty. To further uphold the highest standards of ethical values and behaviour across all levels of the organisation, the Board established the Ethics and Conduct Committee in January 2019. The committee, made up of three non-executive Directors, will provide oversight of policies, programmes and guidelines that inculcate and sustain a strong culture of responsible banking and fair dealing. We believe this is very timely when compared against a backdrop of a rising number of global financial institutions mired in controversies involving ethical misconduct, which stem mostly from an imbalance between the pursuit of financial goals and responsible banking. Retaining the trust of our customers – some of whom have banked with us for generations – is a top priority. Trust in financial institutions is not just critical to a bank's success, for without such trust, a country's financial system will not be able to productively serve society and the country.

The Board Ethics and Conduct Committee comprises non-executive directors Mr Ooi Sang Kuang (OCBC Bank Chairman), Dr Lee Tih Shih and Ms Christina Ong.

Our Brand Promise to be Simply Spot On for our Customers
As an organisation, we treasure the trust given to us by not just upholding, but also surpassing the ethical standards expected of us. Our newly-unveiled Brand Promise – we pledge to be Simply Spot On for our customers – is anchored on our core beliefs of integrity, honesty, fair dealing, prudence, reliability and taking the long-term view. Conducting our business ethically, with efficiency and adding value to our customers' financial goals is the only way of living up to the Brand Promise. Across our core businesses – Banking, Wealth Management and Insurance – we want to deliver exceptional customer experiences by listening to our customers and introducing the most suitable solutions to meet their needs and goals. This guiding principle cuts across everything that we do – products and processes; channels and capabilities; client service and interaction; and comprehensive digital offerings.

Mr Samuel Tsien, Group CEO of OCBC Bank (second from left), together with Head of Global Commercial Banking Mr Linus Goh (far left), Chief Operating Officer Mr Ching Wei Hong (second from right) and Head of Group Brand and Communications Ms Koh Ching Ching (far right), launched the OCBC Brand Promise at a staff town hall in October 2018.

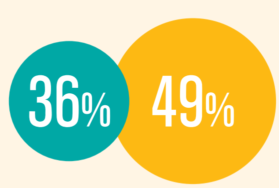
Redefining our Business through Digital Transformation

It is our privilege to serve more than 9 million customers across the OCBC Group. We achieve consistently high levels of customer satisfaction and continue to build deeper relationships as customer needs and preferences evolve. Central to this is how we as an organisation have embraced digitalisation while reinforcing our core values – we have comprehensively redefined customer engagement, transformed the way we conduct business, delivered cost efficiencies and achieved our transformation goals through the deployment of internal resources and expanded collaboration with our digital ecosystem partners: API partners, fintechs and e-commerce platforms.

Engaging Customers through Digital Transformation

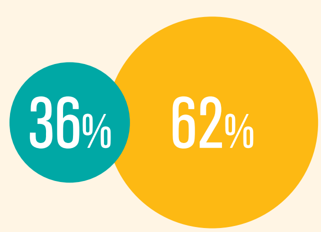
Our consistent and deep engagement with our customers over the past many years coupled with the expanded scope of our digital capabilities have led to a substantial rise in digitally-engaged active customers and the rapid growth of financial transactions conducted digitally. In 2018, we further enhanced the customer experience with the launch of many innovative digital products and expanded digital services. We also provided customers with greater insights and analytics to help them better manage their financial goals and grow their businesses.

Proportion of Retail Customers who are Digital Customers



2014 2018

Proportion of Business Customers who are Digital Customers



2014 2018

Digital Customers vs Non-Digital Ones

2x

more revenue from retail customers

3x

more revenue from business customers

Digital customers are defined as customers who have used Internet/mobile banking at least once in the last three months.

Please refer to Redefining Customer Engagement through Digital Transformation on page 20.

Embracing Digital

OCBC has built a digitally capable organisation that embraces digital enablers to better serve our customers, anchored by steady investments in technology and the development of future-smart talent. The results are exhibited in our many first-to-market digital innovations and numerous industry recognitions which are strongly backed by improved customer satisfaction scores. In 2018, we further advanced our digital transformation strategy with our artificial intelligence lab in Singapore and established a regional digital technology resource centre in Shenzhen offering support to the Group.

4.5x

higher rate of accuracy in detecting anomalous transactions using AI

+35%

accuracy in identifying customer intent using social media data

3x

more relevant offers by sensing customers' needs in real time

143,000

queries handled by AI-powered chatbot Emma by end-2018

Digital for New Opportunities

We strengthened our collaboration with an increasing number of strategic partners to design integrated digital experiences for our customers to seamlessly manage their banking and lifestyle needs. We are also working closely with the technology industry on emerging innovations in areas such as seamless payments, data analytics, artificial intelligence, machine learning, transactions surveillance and enhanced customer experience.

Lifestyle journeys extended for new mothers and property buyers with

mumstruly.com & OneAdvisor Home

>1,500

fintech start-ups evaluated by The Open Vault at OCBC

Singapore's

first loyalty alliance programme launched

to consolidate customer loyalty rewards across multiple industries

Message from Chairman and CEO

Business Growth and Developments

Supporting our Customers with our Strong Interconnected Network

We derive strong synergies from the Group's closely interconnected network, and are well-placed to connect our customers to opportunities within the Asian region and globally. In Greater China, we deepened our presence in and made further inroads into the Greater Bay Area (GBA). With a strong presence in Hong Kong, Macau and in five of the nine cities in the Pearl River Delta that make up the GBA, we are well-placed to capture the trade, capital and investment flows between the GBA and Southeast Asia. In Indonesia, the Group is set to expand its insurance footprint following Great Eastern Holdings' announcement to acquire general insurance provider PT QBE General Insurance Indonesia. In our pursuit of broadening the growth of our base in wealth management, we opened new OCBC Premier Banking centres in Malaysia, while Bank of Singapore established a regional Ultra-High Net Worth (UHNW) Advisory Solutions Platform to provide highly sophisticated, bespoke analysis and investment advice to UHNW clients. Bank of Singapore also opened a wealth management subsidiary in Luxembourg – a first for a Singapore private bank. Our Luxembourg presence will allow us to better support our wealth management customers in Europe, particularly against the uncertainties associated with Brexit.

Please refer to Our Well-Diversified Business on page 16.

Consumer Banking

We support our consumer customers through their life journeys, from the time they are born till their retirement years. Our deep commitment to deliver a superior customer experience is demonstrated by listening to our customers, understanding their needs and delivering the most suitable products and services. The best testimony of us achieving our goals comes from our customers themselves. For the second consecutive year, we have been ranked first in Singapore Retail Banking Satisfaction by J.D. Power.

Excellence in Customer Centricity

Retail Banker International Asia Trail Blazer Awards

Highest number of winners across the financial industry for four consecutive years

The Association of Banks in Singapore (ABS) Excellent Service Awards

Serving

8 in 10

families in Singapore with a Child Development Account

1 in 2

seniors aged 55 and above in Singapore bank with OCBC

Mr Ooi Sang Kuang, OCBC Bank Chairman (left), presented Going the Extra Mile for Service (GEMS) Awards to staff who had consistently delivered excellent customer service at the annual Chairman's GEMS Awards ceremony held in November 2018. Ms Elaine Tee (right) received top honours as the Principal Award winner.

Ms Danielle Soh (middle), an OCBC Wealth Management Product Manager, was recognised with the Association of Banks in Singapore (ABS) Service Excellence Champion Award in 2018, marking the second consecutive year that an OCBC representative has been honoured with the highest accolade at the ABS Excellent Service Award Ceremony. Beside Ms Soh are ABS Director Mrs Ong-Ang Ai Boon (left) and OCBC Bank's Head of Consumer Financial Services Singapore Mr Dennis Tan (right).

Please refer to With Our Individual Customers Every Step along their Life Journeys on page 32.

Wealth Management

Our wealth management business continued to grow from strength to strength. As a leading wealth management institution, we expanded our offerings of a wide range of tailored wealth management products to meet the life goals of personal banking and Premier Banking customers as well as high net worth and ultra-high net worth individuals.

Best Private Bank – Middle East and North Africa
Asian Private Banker Awards for Distinction
Bank of Singapore

First bank in Southeast Asia to launch robo-investment service
OCBC RoboInvest

S$139b
Bank of Singapore assets under management

+129%
New OCBC Wing Hang Premier Banking customers in Hong Kong

Please refer to With Our Individual Customers Every Step along their Life Journeys on page 32.

SME and Commercial Banking

Several key initiatives targeted at SME customers were launched to support their growth journey and help them better manage their businesses.

Instant digital account opening and loan approvals, as well as customised dashboards that provide customers insights and analytics of their business performance were rolled out.

We are proud to have received many industry awards across our core markets.

ASEAN SME Bank of the Year
Eighth consecutive year
Asian Banking & Finance

1 in 2
SMEs in Singapore bank with us

Best Small Business Bank
The Asian Banker

Close to
S$1b
in government-backed loans disbursed over the last three years

Please refer to Supporting Businesses Through Every Milestone on page 36.

Corporate and Investment Banking

Our corporate customers are served with a wide range of highly specialised services by our integrated international network. They are supported by our strong and comprehensive suite of product offerings, covering corporate finance, capital markets and other innovative financing solutions designed for their complex requirements and cross-border needs. We also made advances in fulfilling our Environmental, Social and Governance (ESG) agenda by partnering our customers in their sustainable journey. We launched our first green bond transactions, disbursed the largest sustainability-linked loan for a Singapore bank and participated in Southeast Asia's first green loan based on Green Loan Principles.

No. 1
League table ranking for Singapore and Malaysia Syndicated Loans

Largest sustainability-linked loan
by a Singapore bank at the time of announcement

Best FX Bank for Corporates and Financial Institutions, Singapore
Alpha Southeast Asia

Please refer to Supporting Businesses Through Every Milestone on page 36.

Insurance

2018 marked the 110th anniversary of our insurance subsidiary, Great Eastern Holdings (GEH), the oldest and most established life insurance group in Singapore and Malaysia which serves over 4 million policyholders. GEH is at the forefront of Asia's insurance industry and has built a brand trusted by generations of customers. In 2018, GEH further deepened its digital engagement to provide a differentiated customer experience, expand its distribution capabilities and capture growth opportunities. It launched two industry-first digital platforms, GETGREAT and UPGREAT, to empower and reward customers for healthier and better living. The synergistic OCBC-Great Eastern collaboration has grown from strength to strength over the years as we have successfully developed products and services that fulfil the varied needs of our customers.

Message from Chairman and CEO

Upskilling our Talent to be Future Ready

OCBC's employees are the bedrock of our customer service culture and the linchpin of sustainable performance. Our goal is to build an engaged and diverse workforce, and create an inclusive and nurturing environment for our employees to fulfil their full potential and achieve their career aspirations. We provide high quality training and development programmes to enrich our employees' knowledge and upgrade their skills. In 2018, we committed S$20 million for a three-year Future Smart Programme to "future-proof" all our employees with the proficiency and ability to thrive in the digital world. OCBC Bank is the first bank in Singapore to partner the Wealth Management Institute (WMI) of Nanyang Technological University, Asia's centre of excellence for wealth management education and research, to launch the OCBC-WMI Wealth Advisory Programme. The aim is to equip our wealth advisors with the knowledge and competence to provide customers with the most suitable advisory solutions. Our efforts to enhance OCBC as an employer of choice were recognised through the many industry awards and further improvements in our already high levels of employee engagement scores.

With an investment of S$20 million to train and develop the digital skills of OCBC employees, the OCBC Future Smart Programme is the largest workforce digital transformation initiative by a Singapore bank.

Recognised for Fair and Progressive Employment Practices, Work-Life Excellence
Tripartite Alliance Award

More than
29,000
employees continuously reskilling and upskilling

More than
5,500
learning and development programmes

S$20m
Future Smart Programme to develop staff's digital competencies

Please refer to Developing Future-Smart Talent on page 40.

Caring for the Community

Across the OCBC Group, sustainability and social responsibility is central to our corporate culture and fundamental to our long-term strategy. It is about investing to create a better future and making a positive social impact for both our stakeholders and the communities we operate in. In our Sustainability Report (page 52 of this Annual Report), we articulated our dedicated approach towards sustainability. We continued to widen our capture of ESG factors to progressively attend to those that we have the greatest influence on, and matter most to our stakeholders.

In 2018, we further advanced our responsible and sustainable approach towards financing, with the launch of green bond transactions and loans linked to sustainability targets. We further championed upskilling of our workforce as digital transformation deepens in all departments, while embracing diversity and an inclusive work environment that aims to develop everyone to their fullest potential. Our strong commitment to the community is reflected in the #OCBCCares Programme which is focused on helping the vulnerable segments of society and playing our part in protecting the environment.

OCBC staff volunteers encouraged beneficiaries from AWWA to exercise during the pilot event for the OCBC Glowing Years Programme in January 2018 at the AWWA Dementia Day Care Centre. The programme aims to help seniors improve their mental alertness to reduce the risk of dementia.

Participated in

first green loan

structured according to Green Loan Principles in Southeast Asia, to finance environmentally-friendly Frasers Tower in Singapore

OCBC's

first green bond

transaction with China General Nuclear Power Corporation

Best Green Bond Award

FinanceAsia China 2018

More than

106,000

beneficiaries supported through #OCBCCares Programme

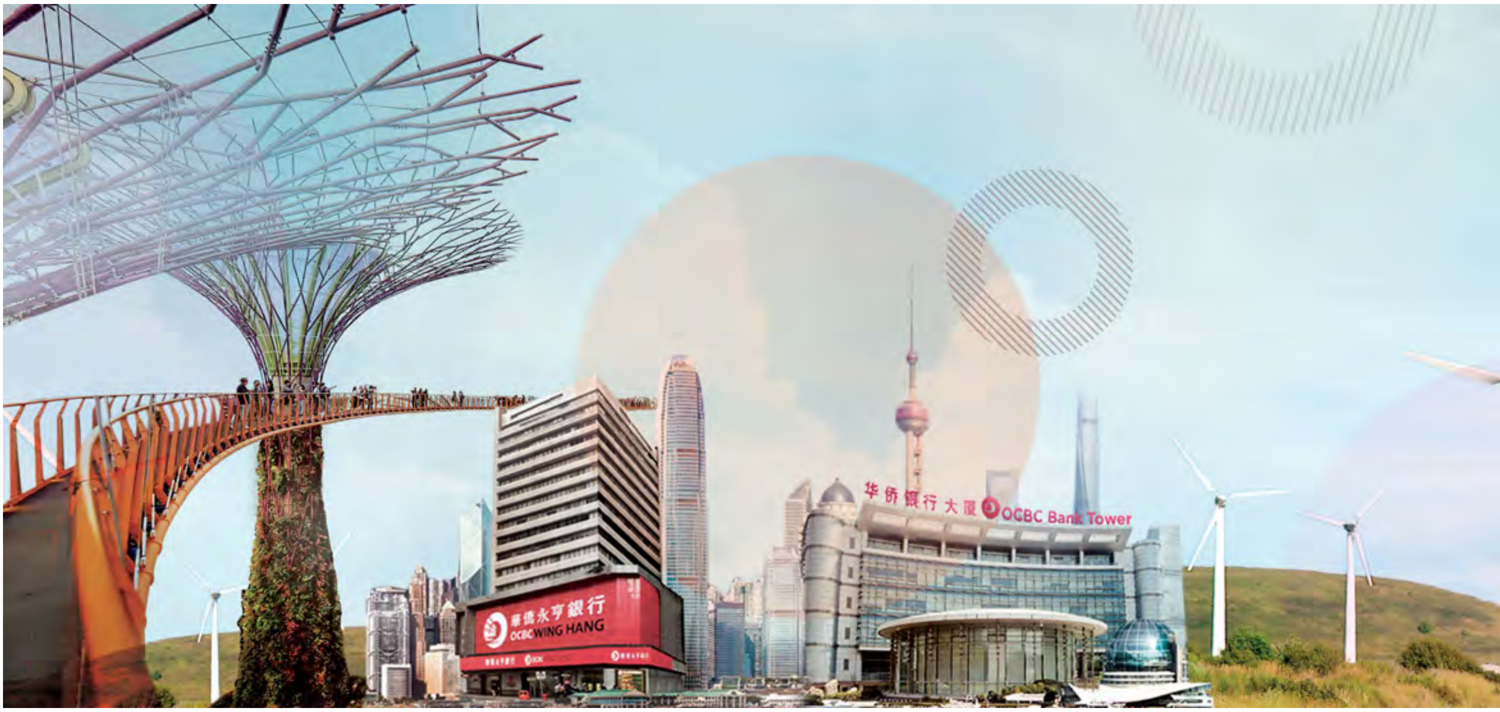
Close to

10,000

staff volunteers participated in #OCBCCares Programme

Please refer to Sustainability Report on page 52.

Message from Chairman and CEO



Outlook

Global economic outlook for 2019 has turned more challenging as growth momentum has softened. The slowdown of the world's economy and in the major industrial countries is further clouded by the uncertainties surrounding the outcome of the United States-China trade conflict, the possibility of a disorderly withdrawal of the United Kingdom from the European Union and the stance of monetary tightening in the United States. Global geo-political rivalry and the diminishing support for globalisation following the rise of populism, are expected to exert further pressure to re-order the established international norms and multi-lateral arrangements. These developments have undermined the conduct of world trade and finance, and greatly dampened business and consumer confidence.

There however, remains hope that out of the intense negotiations, a trade deal between the United States and China could be reached. Geo-political tensions between the world's two largest economic powers and stronger economic headwinds require us to be extra vigilant to the possible emerging risks. Being highly trade-oriented, the underlying growth drivers of the Asian countries are expected to be negatively impacted by the global economic slowdown and the disruptions in trade and capital flows.

The Asian region is however expected to benefit from the rearrangement out of China's global supply chain, as manufacturing and services activities are realigned to other countries for cost competitiveness and country of origin. The fundamentals supporting Asia's growth remain sound. Asian regional integration efforts have accelerated over the past years and this positive development is expected to be further supported by the collective commitments to conclude the Regional Comprehensive Economic Partnership (RCEP). On balance, Asia as a region can continue to outperform the rest of the world.

The operating environment within our core markets in 2019 requires us to be alert to the risks and be proactive to seek growth opportunities. We will be resourceful in running our business while we take comfort that the OCBC Group enters 2019 on

a sound and solid footing. We have built an integrated franchise and are now embarking on a transformation journey to embrace digital technology across the Group. We however remain focused on our strategy of deepening and growing the Group's well-established franchise in key business segments and markets across our strengthened regional and international network. Our business strategy is well-supported by a strong balance sheet, ample capital and diversified sources of funding, while our established track record of cost discipline, as well as our prudent risk practices and sound credit management will enable us to continue to manage and grow our business despite an increasingly uncertain and volatile environment.

We will continue to invest in our brand, people, systems and technology. Collectively, we now have in place the reinforcing synergies of our multi-faceted assets to create long-term sustainable growth, support our customers and fulfil our obligations to our stakeholders.

Acknowledgements

On behalf of the Board, our sincere gratitude goes to each of our 29,000 dedicated colleagues for their invaluable contributions. We wish to acknowledge our fellow Board members for their wise counsel and support. Our deep appreciation also goes to our customers and shareholders for their unwavering loyalty and confidence in us. Thank you for making 2018 a year of achievements we can be justly proud of.

Ooi Sang Kuang
Chairman

Samuel N. Tsien
Group Chief Executive Officer

22 February 2019

Financial Highlights

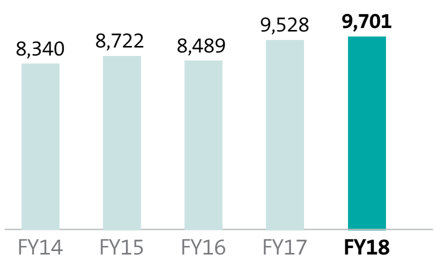
Group Five-Year Summary

	2018	2017 [1]	2016	2015	2014
Income statements (S$ million)					
Total income	**9,701**	9,528	8,489	8,722	8,340
Operating expenses	**4,214**	4,043	3,788	3,664	3,258
Operating profit	**5,487**	5,485	4,701	5,058	5,082
Amortisation of intangible assets	**102**	104	96	98	74
Allowances for loans and other assets	**288**	671	726	488	357
Profit before tax	**5,552**	5,099	4,275	4,825	4,763
Profit attributable to equity holders of the Bank	**4,492**	4,045	3,473	3,903	3,842
Cash basis profit attributable to equity holders of the Bank [2]	**4,594**	4,149	3,569	4,001	3,916
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**255,193**	234,141	216,830	208,218	207,535
Non-bank customer deposits	**295,412**	283,642	261,486	246,277	245,519
Total assets	**467,543**	452,693	409,884	390,190	401,226
Assets excluding life insurance fund investment assets	**390,676**	378,766	347,911	333,207	343,940
Total liabilities	**424,151**	410,900	370,242	353,079	367,041
Ordinary shareholders' equity	**40,637**	37,528	35,507	33,053	29,701
Total equity attributable to the Bank's shareholders	**42,137**	39,028	37,007	34,553	31,097
Per ordinary share (S$)					
Basic earnings	**1.06**	0.95	0.82	0.95	1.03
Dividend (cents)	**43.0**	37.0	36.0	36.0	36.0
Net asset value					
Before valuation surplus	**9.56**	8.96	8.49	8.03	7.46
After valuation surplus	**11.38**	11.34	10.03	9.59	9.53
Ratios (%)					
Return on ordinary shareholders' equity	**11.5**	11.0	10.0	12.3	14.8
Return on assets [3]	**1.17**	1.11	1.03	1.14	1.23
Dividend cover (times)	**2.46**	2.57	2.27	2.62	2.81
Cost-to-income	**43.4**	42.4	44.6	42.0	39.1
Capital adequacy ratios [4]					
Common Equity Tier 1	**14.0**	13.9	14.7	14.8	13.8
Tier 1	**14.8**	14.9	15.1	14.8	13.8
Total	**16.4**	17.2	17.1	16.8	15.9

(1) 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International).
(2) Excluding amortisation of intangible assets.
(3) The computation of return on assets excludes life insurance fund investment assets.
(4) The Group's capital adequacy ratios for 2018 were computed based on MAS' fully-phased in Basel III rules. Prior to 2018, the Group's capital adequacy ratios were computed based on MAS' transitional Basel III rules.

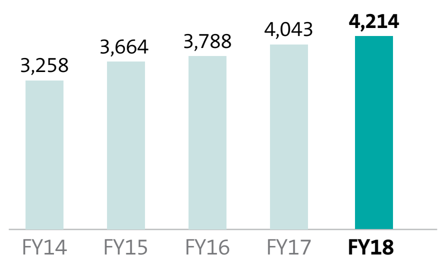
Total Income
(S$ million)

+2%



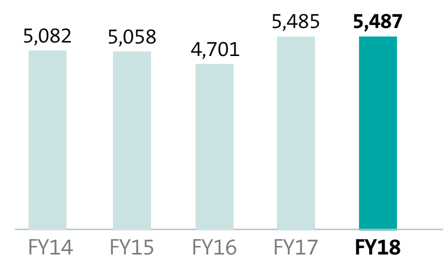
Operating Expenses
(S$ million)

+4%



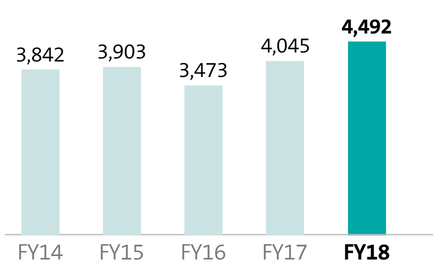
Operating Profit
(S$ million)

+0%



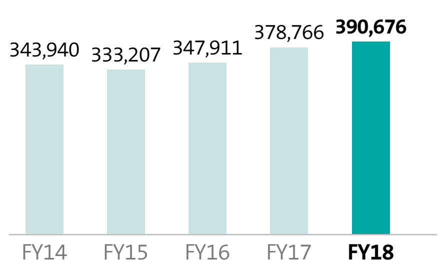
Profit Attributable to Equity Holders of the Bank
(S$ million)

+11%



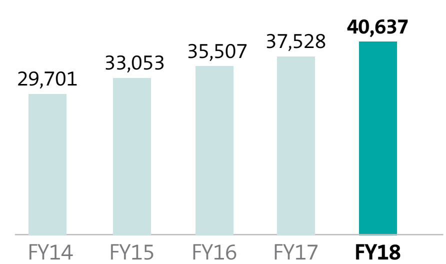
Assets excluding Life Insurance Fund Investment Assets
(S$ million)

+3%



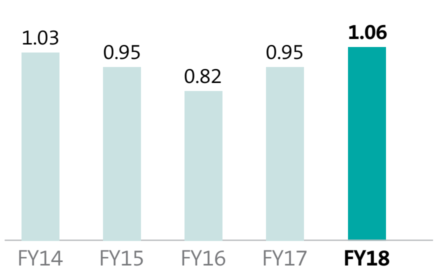
Ordinary Shareholders' Equity
(S$ million)

+8%



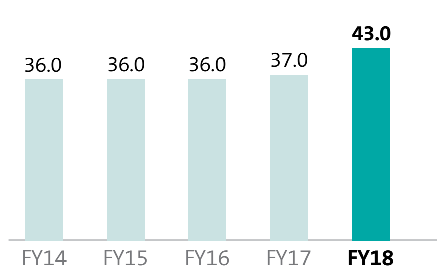
Basic Earnings Per Share
(S$)

+12%



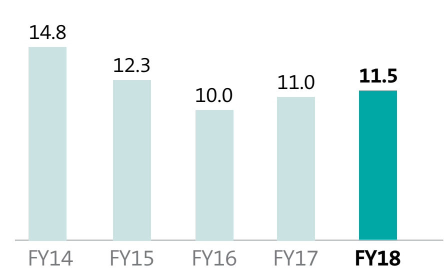
Dividend Per Share
(cents)

+16%



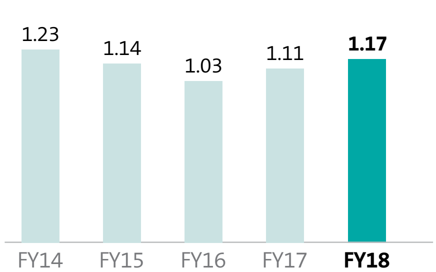
Return on Ordinary Shareholders' Equity
(%)

+0.5
% points



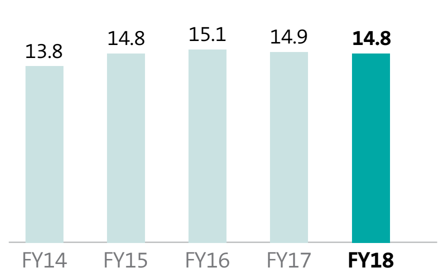
Return on Assets
(%)

+0.1
% points



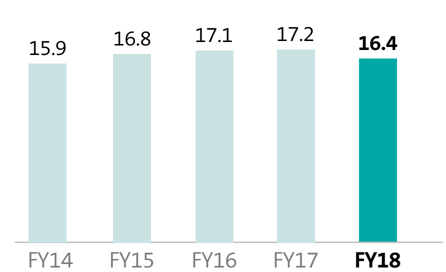
Tier 1 CAR
(%)

-0.1
% points



Total CAR
(%)

-0.8
% points



Our Well-Diversified Business

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. A resilient and sustainable business that generates long-term value for shareholders, customers, staff and the community.

Singapore	Malaysia	Indonesia	Greater China
Dominant market position at home	Entrenched and well-recognised banking and insurance franchise	Extensive national presence with comprehensive financial services offering	Strong presence with dominance in cross-border trade, wealth and capital flows

Core Businesses

Banking	Wealth Management	Insurance
Comprehensive retail and commercial banking franchise across well-connected business and geographical network	"Asia's Global Private Bank". Regional Premier Platform. Integrated model across private banking, premier banking, bancassurance, securities and asset management	Leading insurance presence in Singapore and Malaysia, and growing franchise in Indonesia

Core Competencies

Disciplined Risk Management	Diversified Funding Base	Digital Transformation	Future-Smart Talent

Core Environmental, Social and Governance Pillars

Putting Customers First	**Acting with Integrity**	**Valuing our People**	**Engaging Communities**	**Being Environmentally Responsible**

Well-Positioned to Ride on Key Global Megatrends Shaping Asia's Growth

Rising Asian Wealth	**Dominance of China**	**Growing Silver and Gig Economy**	**Digital Prominence and Threats**	**Economic Blocs and De-Globalisation**	**Focus on Sustainability**

Our Performance

Broad-Based Growth across our Core Markets

2018

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

9%

Growth in Core Markets

8% — Singapore

29% — Malaysia

21% — Indonesia [1]

6% — Greater China

[1] Based on Bank OCBC NISP's local reporting.

Growth in Other Network Markets

32% — Other network markets

Sustained Earnings Momentum from our Core Businesses

+11%
Group net profit

+9%
Gross loans to customers

S$139b
Private banking assets under management

11.5%
Return on equity

Demonstrated Strengths in our Core Competencies

1.5%
Non-performing loans ratio

79%
Proportion of funding base derived from customer deposits

11.1%
Proportion of total expenses invested in technology

43.4%
Cost-to-income ratio

Creating Sustainable Value for our Stakeholders

Ranked
1st
in customer satisfaction ranking for second year in a row in the J.D. Power 2018 Singapore Retail Banking Satisfaction Study

Launched
S$20m
Future Smart Programme to equip all employees with digital skills for the future

More than
106,000
beneficiaries supported through #OCBCCares Programme

Reduced
7 tonnes
of plastic waste by eliminating the use of bottled water at all Singapore branches

Strong Credit Ratings

OCBC Bank
Aa1 — Moody's
AA- — Fitch
AA- — S&P

Bank of Singapore
Aa1 — Moody's

Great Eastern
AA- — S&P

OCBC Malaysia
AAA — RAM Ratings

Bank OCBC NISP
AAA — Pefindo

Capturing Growth in China's Greater Bay Area

The Greater Bay Area (GBA) – made up of nine Chinese cities in Guangdong (collectively known as the Pearl River Delta or PRD), Hong Kong and Macau – has been earmarked as one of China's key growth engines.

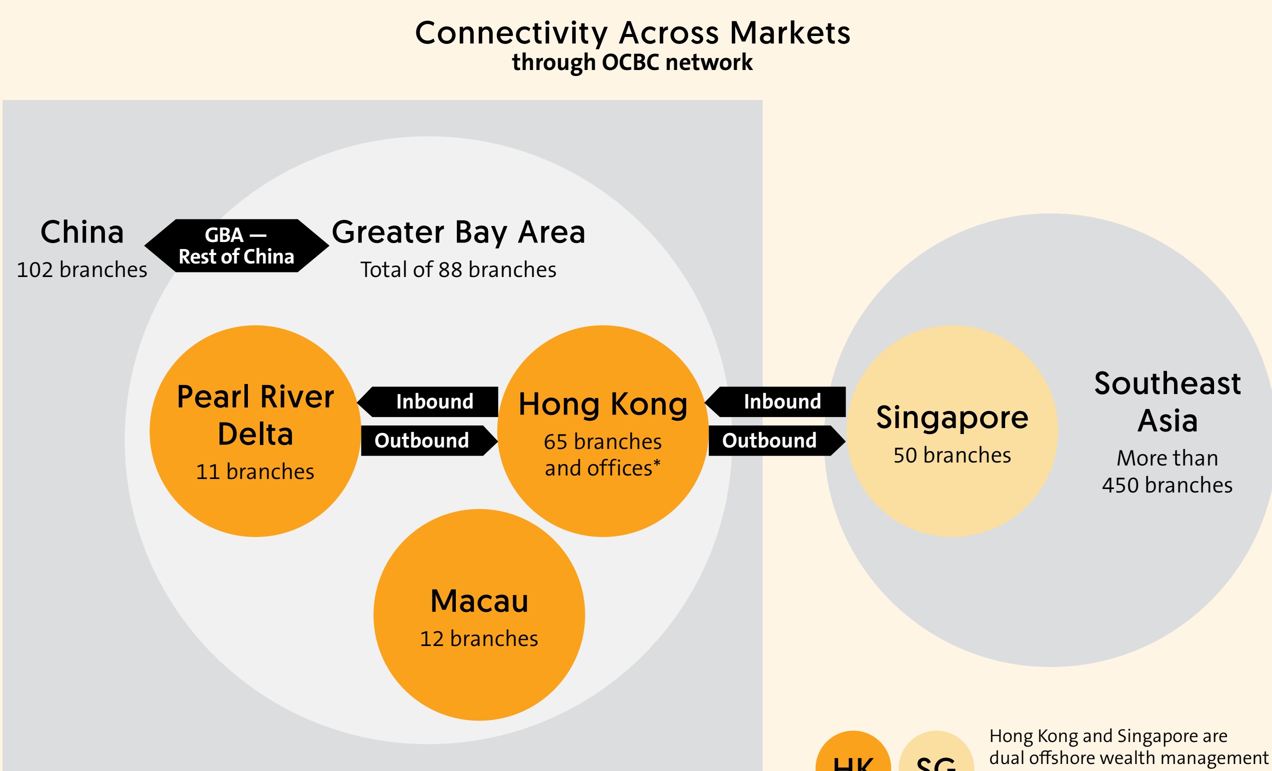
Our strategy to develop a strong GBA franchise taps on our extensive network in both the GBA and Southeast Asia. We are in prime position to capitalise on the opportunities from this growing bay region by focusing on trade, capital and wealth flows.

We aim to help corporate clients in Southeast Asia and Hong Kong expand into the PRD and GBA and capture cross-border flows by expanding product and service offerings.

We will grow our PRD-based corporate and wealth base through collaborations with Chinese banks such as Bank of Ningbo and Bank of Shanghai to serve cross-border financing for privately-owned enterprises (POEs) looking to expand into Hong Kong, Taipei and Southeast Asia.

Our wealth management centres in Singapore and Hong Kong will help grow the offshore wealth of POEs and emerging high net worth professionals.

Tapping on the flows between the Greater Bay Area and Southeast Asia

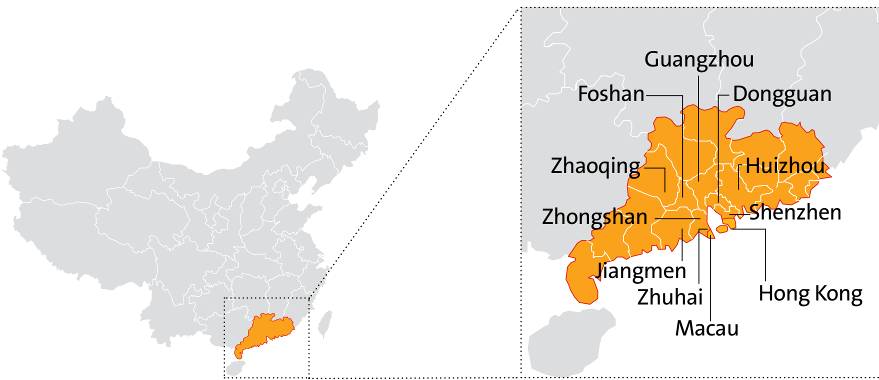


* Includes OCBC Wing Hang Credit.

Capitalise on Greater Bay Area Trends and Opportunities

Large GDP and Fast Growing Region	**Rising Affluence and Thriving Private Enterprise Sector**	**China's Leading Export and Manufacturing Hub**	**Outward Looking Enterprises**	**Massive Technological Innovation**	**Hong Kong and Singapore as Financing and Knowledge/Skills Platforms for Chinese Companies' Connectivity with Overseas**

Key Facts about the GBA



- Made up of nine cities in Guangdong province known as the Pearl River Delta (PRD), Hong Kong and Macau
- PRD's combined GDP is about three times that of Singapore
- The GBA contributes about one-eighth of China's GDP
- Projected to be the world's leading bay area by 2030 in terms of GDP
- Estimated annual growth of 7-9% over the next 10 years

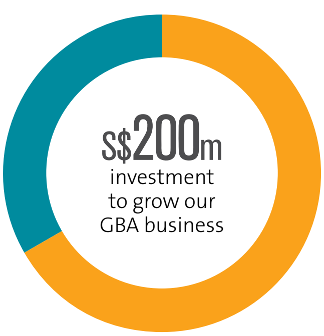
OCBC's Presence

88
branches across seven of the 11 GBA cities

4th
largest foreign bank in terms of network size in the PRD with 11 branches

GBA Growth Targets

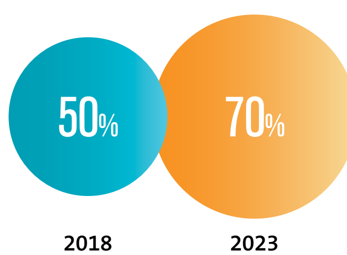
We have set a five-year target to grow our GBA business substantially



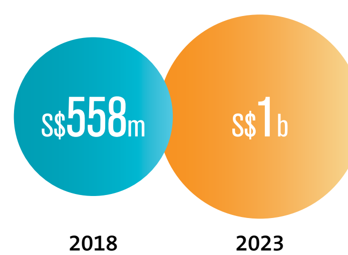
1/3
of this investment goes towards hiring people

2/3
of this investment is IT related

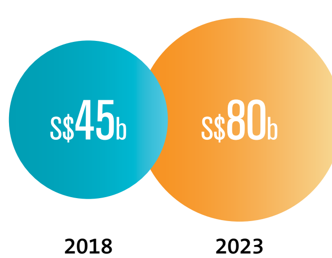
Increasing the proportion of GBA business in relation to our whole of Greater China business



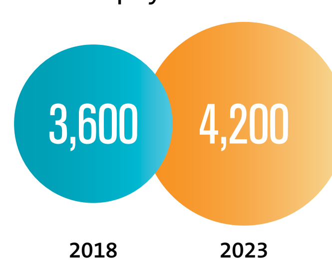
Profit



Loans



Number of Employees



Key Figures

42%
of GBA revenue is from corporate banking business

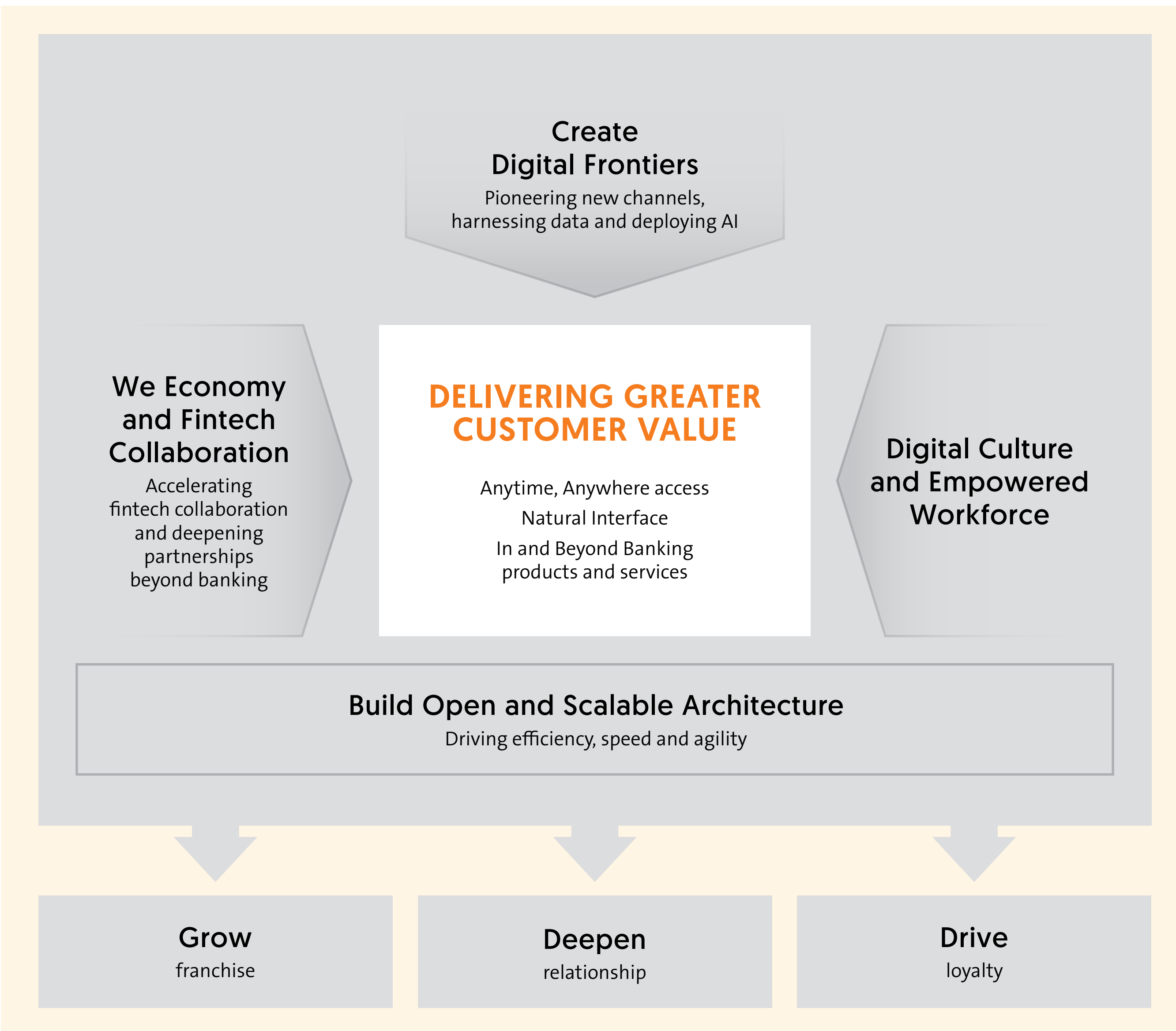
20%
of GBA revenue is from wealth management business

11x
growth in GBA international bond issuance volume

Redefining Customer Engagement through Digital Transformation

To us, digital transformation is not about becoming a digital bank or simply introducing digital banking. It is about digitalisation for our customers and also for our own employees. Our digital strategic framework is not just part and parcel, but an integral part of our overall corporate strategy. Being digital is embraced comprehensively in our entire organisation in order to keep our customers' needs at the heart of our digital transformation.

Our Digital Strategic Framework



Create Digital Frontiers

Artificial intelligence detects patterns missed by humans

4.5x

higher rate of accuracy in detecting anomalous transactions

Social media data gives new insights to create sales opportunities

+35%

accuracy in identifying customer intent

Sense customers' needs in real time to make contextual offers

3x

more relevant offers

Augment human resources to improve customer service

143,000

queries handled by chatbot Emma by end-2018

Capitalise on We Economy and Fintech Collaboration

Accelerate collaborations with fintechs

>1,500

fintech start-ups evaluated by The Open Vault at OCBC

Extend more lifestyle journeys to consumers

mumstruly.com & OneAdvisor Home

for new mothers and property buyers

Offer beyond banking services to businesses

Digital Business Dashboard

for SMEs to operate and manage their business

Foster Digital Culture and Empowered Workforce

Train all employees with skills they need for the future

S$20m

Future Smart Programme

Adapt quickly to fast-changing trends

6,000

ideas from staff incubated in internal Innovation Lab

Build an open culture with room for experimentation and failure

50

OCBC 'Rebels' who lead innovation projects for their department

2,000

Fintech Ambassadors who have attended sessions on fintech and are part of OCBC's Fintech Community

Build Open and Scalable Architecture

Supported by agile technology
Moved to

microservices architecture

from monolithic architecture to efficiently and effectively utilise data and information

Backed by Data Science Platform
Equipped with

multiple toolsets,

dedicated platform and environment for agile development for data analytics

Our Growing Base of Digital Customers

Digital customers are those who have used Internet or mobile banking at least once in the last three months.

Customers

Retail

2014	2018	2023 target
36%	49%	60%

Business

2014	2018	2023 target
36%	62%	70%

Digital Customers vs Non-Digital Ones

2x

more revenue from retail customers

1.6x

more bank products used

3x

more revenue from business customers

Redefining Customer Engagement through Digital Transformation

Retail Customers

350%
increase in OCBC PayAnyone app usage, driven by adoption of merchant QR code payments

89%
of financial transactions in Singapore are done digitally

70%
of remittances in Singapore are done digitally

102%
more active mobile banking customers in Indonesia

First-to-market Digital Solutions

2014 – 2017

Account opening for 360 Account on smartphones

Fund transfers to any account through Facebook using
OCBC PayAnyone

Fingerprint authentication to access banking accounts on mobile app through OCBC OneTouch feature

Authentication of banking transactions by call centre using voice biometrics

Integrated and personalised wealth management app,
OCBC OneWealth

Mobile banking app for Apple Watch to allow customers to "bank on their wrists"

Open API platform Connect2OCBC that enables third parties to integrate OCBC products and services

AI-powered chatbot Emma
that answers home loans queries and generates customer leads

Secure payments through Apple's Siri and iMessage functions through OCBC PayAnyone

Fingerprint authentication
extended to business banking and mobile trading apps

Stand-alone mobile payments app that includes QR code payments

AI-powered human resources app

Voice banking
through mobile banking app

Mobile keyboards that enable fund transfers from any mobile app

Transactional API
for instant GIRO set-up from IRAS portal

Facial recognition
to access consumer and business banking mobile apps

AI solutions to combat financial crime

Robotics process automation to expedite home loans restructuring applications and finance report preparation

Business Customers

95%
of new SME customers in Singapore are “born digital”, signing up for digital banking from the start

68%
of SME transactions in Singapore are done digitally

Reap significant benefits from AI over the next 5 years

75%
of customer service requests to be AI-assisted

75%
of employees’ jobs to be augmented with AI

20%
in staff productivity

Pushing the Envelope Further in 2018

2018

March

In-house artificial intelligence unit,
AI Lab

State-of-the-art regional data centre

April

Instant digital card issuance on Apple Pay

AI-powered voice banking services through Google Assistant

Pilot of secure chat mobile banking app in Malaysia

May

Digital transformation programme for Group-wide employees

June

Digital instant account opening

Guangdong-Hong Kong-Macau Greater Bay Area instant remittance service

July

Digital push at branches with bank tellers converted to
digital ambassadors
and introduction of digital kiosks

Supported CPF Board in becoming first Singapore government agency to implement PayNow to instantly disburse CPF Funds

August

Robo-investment service, OCBC RoboInvest

September

AI solutions for audit of trading activities

Partnerships with fintech start-ups to embed OCBC Malaysia into customers’ lifestyle spending journeys and authenticate customers’ identity

November

Instant online business account opening

Hong Kong JETCO Pay peer-to-peer mobile fund transfer service

December

Digital Business Dashboard
for SMEs to manage business holistically

Simpler digital account opening
for MNCs and other large corporates

Board of Directors

Mr Ooi Sang Kuang
Chairman
Non-executive and independent director

Mr Ooi was first appointed to the Board on 21 February 2012 and last re-elected as a Director on 30 April 2018. 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 71.

Other Directorships and Principal Commitments/ Appointments
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, Director

Directorships and Principal Commitments/ Appointments for the Past Five Years
OCBC Bank (Malaysia) Berhad, Board Chairman • OCBC Al-Amin Bank Berhad, Board Chairman • Cagamas Berhad, Board Chairman • Cagamas Holdings Berhad, Board Chairman • Cagamas MBS Berhad, Board Chairman • Cagamas MGP Berhad, Board Chairman • Cagamas SRP Berhad, Board Chairman • Malaysian Electronic Clearing Corporation Sendirian 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, Ethics and Conduct Committee
Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Management Committee

Length of Service as a Director
7 years 1 month

Country of Principal Residence
Singapore

Mr Chua Kim Chiu
Non-executive and independent director

Mr Chua was appointed to the Board on 20 September 2017 and elected as a Director on 30 April 2018. 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 64.

Other Directorships and Principal Commitments/ Appointments
Department of Accounting | NUS Business School | National University of Singapore, Employee; Executive Committee, Chairman; Practice/Education Faculty Search Committee, Chairman • Greenland (Singapore) Trust Management Pte. Ltd. (formerly Star Green Holding Pte. Ltd.), Board Director • National University Health System Pte Ltd | Audit and Risk Committee, Member • NUS Business School | Executive Education Advisory Board, Member

Directorships and Principal Commitments/ Appointments for the Past Five Years
Institute of Singapore Chartered Accountants | Financial Reporting Committee, Chairman • Jurong Health Services Pte Ltd, Board Director • Accounting Standards Council, Singapore, Council 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
1 year 7 months

Country of Principal Residence
Singapore

Mr Lai Teck Poh
Non-executive and independent director

Mr Lai was first appointed to the Board on 1 June 2010 and last re-elected as a Director on 30 April 2018. 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 74.

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

Directorships and Principal Commitments/ Appointments for the Past Five Years
WBL Corporation Ltd, Board Director • 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
8 years 10 months

Country of Principal Residence
Singapore

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 from 1993 to 1998 and the Monetary Authority of Singapore from 1998 to 2000. Age 55.

Other Directorships and Principal Commitments/ 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 Principal Commitments/ Appointments for the Past Five 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, Ethics and Conduct Committee
Member, Executive Committee
Member, Nominating Committee

Length of Service as a Director
16 years

Country of Principal Residence
Singapore

Ms Christina Ong
Non-executive and independent director

Ms Ong was appointed to the Board on 15 February 2016 and elected as a Director on 22 April 2016. She is presently the 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 has been in Allen & Gledhill LLP since 1987. She provides corporate and corporate regulatory and compliance advice, particularly to listed companies. Her areas of practice include banking and securities. Age 67.

Ms Ong will be seeking re-election at the Bank's 2019 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments
Allen & Gledhill LLP, Co-Chairman and Senior Partner • Allen & Gledhill Regulatory & Compliance Pte Ltd, Board Director • Eastern Development Pte Ltd, Board Director • Eastern Development Holdings Pte Ltd, Board Director • Epimetheus Ltd, Board Director • Hongkong Land Holdings Ltd*, Board Director • SIA Engineering Company Ltd*, Board Director • Singapore Telecommunications Ltd*, Board Director • Trailblazer Foundation Ltd, Board Director • ABF Singapore Bond Index Fund | Supervisory Committee, Member • Catalist Advisory Panel, Member • MAS Corporate Governance Advisory Committee, Member • The Stephen A Schwarzman Scholars Trust, Trustee
** Listed companies*

Directorships and Principal Commitments/ Appointments for the Past Five Years
Singapore Tourism Board, Board Member

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, Ethics and Conduct Committee
Member, Remuneration Committee

Length of Service as a Director
3 years 2 months

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
Ms Ong is a well-qualified and experienced lawyer whose knowledge and experience will continue to complement the competencies of board members.

Mr Quah Wee Ghee
Non-executive and 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 58.

Mr Quah will be seeking re-election at the Bank's 2019 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ 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 • The Great Eastern Life Assurance Co Ltd, Board Director • Great Eastern General Insurance Ltd, Board Director • Wah Hin & Company (Pte) Ltd | Investment Committee, Advisor

Directorships and Principal Commitments/ Appointments for the Past Five Years
MOH Holdings Pte Ltd | Investment and Evaluation Committee, Chairman • EDBI Pte Ltd, Board Director • Singapore Exchange Ltd, Board Director • Singapore Labour Foundation, Board Director • SLF Strategic Advisers Pte Ltd, Board Director • Singapore University of Technology and Design | Board of Trustee, Member

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
7 years 3 months

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
Mr Quah's wide experience in the financial industry coupled with his knowledge of markets will continue to be of value to the Board.

Board of Directors

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 30 April 2018. He has been with PT Bank OCBC NISP Tbk for 31 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Age 56.

Other Directorships and Principal Commitments/ 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 Principal Commitments/ Appointments for the Past Five 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
13 years 10 months

Country of Principal Residence
Indonesia

Mr Tan Ngiap Joo

Non-executive and 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 73.

Mr Tan will be seeking re-election at the Bank's 2019 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments
OCBC Al-Amin Bank Berhad, Board Chairman • OCBC Bank (Malaysia) Berhad, Board Chairman • China Fishery Group Ltd*, Board Director • Gemstone Asset Holdings Pte Ltd, Board Director • Mapletree India China Fund Ltd | Investment Committee, Chairman
** Listed company*

Directorships and Principal Commitments/ Appointments for the Past Five Years
Banking Computer Services Pte Ltd, Board Chairman • United Engineers Ltd, Board Chairman • BCS Information Systems Pte Ltd, Board Director • Mapletree Logistics Trust Management 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
5 years 7 months

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
Mr Tan who has wide industry experience, especially in banking, will be able to continue to contribute to the Group's strategy and operations.

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 41 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 64.

Mr Tsien will be seeking re-election at the Bank's 2019 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ 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 • International Monetary Conference, 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 • MAS Payments Council, Member
** Listed companies*

Directorships and Principal Commitments/ Appointments for the Past Five Years
Asean Finance Corporation Ltd, Board Director • OCBC Al-Amin Bank Berhad, Board Director • Mapletree Commercial Trust Management Ltd, 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
5 years 2 months

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
As Chief Executive Officer of OCBC Bank, Mr Tsien's continuing membership of the Board will facilitate governance and decision making.

Mr Wee Joo Yeow

Non-executive and 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 71.

Other Directorships and Principal Commitments/ Appointments
Frasers Property 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 Principal Commitments/ Appointments for the Past Five 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
5 years 3 months

Country of Principal Residence
Singapore

The Directors seeking re-election at the 82nd Annual General Meeting, namely, Ms Christina Hon Kwee Fong (Christina Ong), Mr Quah Wee Ghee, Mr Samuel N. Tsien and Mr Tan Ngiap Joo, have each:

- Provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited (Listing Manual).
- Confirmed that he/she has no relationship (including immediate family relationships) with an existing director, existing executive officer, the Bank and/or any substantial shareholder of the Bank or of any of its principal subsidiaries.
- Confirmed that he/she has no conflict of interest (including any competing business).
- Confirmed that there is no change to his/her responses previously disclosed under items (a) to (k) of Appendix 7.4.1 of the Listing Manual*, which were all "No", save that Ms Christina Hon Kwee Fong (Christina Ong) responded "Yes" to item (k) of Appendix 7.4.1, and disclosed "An enquiry by the Law Society of Singapore in 1986/1987 of a complaint which was dismissed by the Law Society of Singapore.".
  * The Appendix 7.4.1 information was announced on 15 February 2016 (Ms Christina Hon Kwee Fong (Christina Ong)), 9 January 2012 (Mr Quah Wee Ghee), 13 February 2014 (Mr Samuel N. Tsien) and 2 September 2013 (Mr Tan Ngiap Joo), when these Directors were first appointed as Directors of the Bank.

The shareholding interest in the Bank and its subsidiaries (if any) of each of these Directors are disclosed in the "Directors' Statement" on pages 134 to 139.

Management Committee

Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ching Wei Hong
Chief Operating Officer

Mr Darren Tan
Chief Financial Officer

Mr Lam Kun Kin
Global Treasury and Investment Banking

Mr Vincent Choo
Group Risk Management

Mr Linus Goh
Global Commercial Banking

Ms Elaine Lam
Global Corporate Banking

Mr Jason Ho
Group Human Resources

Mr Lim Khiang Tong
Group Operations and Technology

Mr Dennis Tan
Consumer Financial Services Singapore

Mr Gan Kok Kim
Global Investment Banking

Mr Tan Chor Sen
Global Enterprise Banking – International

Please refer to Further Information on Management Committee on page 292.

Ms Parwati Surjaudaja
President Director and CEO,
Bank OCBC NISP

Mr Ong Eng Bin
CEO, OCBC Bank Malaysia

Mr Bahren Shaari
CEO, Bank of Singapore

Mr Na Wu Beng
CEO, OCBC Wing Hang Bank

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

Mr Tan Wing Ming
Regional General Manager for
North East Asia

Ms Goh Chin Yee
Group Audit

Ms Loretta Yuen
Group Legal and Regulatory Compliance

Mr Melvyn Low
Global Transaction Banking

Mr Vincent Soh
Group Property Management

Mr Peter Yeoh
Group Secretariat

Ms Koh Ching Ching
Group Brand and Communications

An Unwavering Focus on Sustainable Value Creation

Our Values

Customers

People

Teamwork

Integrity

Prudent Risk Taking

Effectiveness

Our Corporate Strategy

Our Corporate Strategy articulates how we build a resilient and sustainable business that generates long-term value for our stakeholders. It reflects our unique positioning in our key markets and businesses that has consistently enabled us to successfully capture market opportunities. We progressively refine this strategy in order to remain well positioned to capitalise on global and regional mega trends as they evolve.

Please refer to Our Corporate Strategy on page 16.

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 the market depth and breadth to expand our business franchise, and they generate substantial business for us in our other network markets. 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.

Our Core Environmental, Social and Governance Pillars

Sustainability is an integral part of our Corporate Strategy. We actively invest in a better future for our business and aim to make a positive and lasting impact on our stakeholders. Our commitment to sustainability revolves around five pillars embodying our material Environmental, Social and Governance (ESG) factors.

Putting Customers First entails a world-class customer experience and financial inclusion for various segments of society, supported by Group-wide digital transformation. **Acting with Integrity** covers our approach to Responsible and Sustainable Financing and combating financial crimes and cyber threats, as well as strong governance.

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 presence in North and Southeast Asia is attractive to customers who seek to capture opportunities both within and 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 network connectivity. We have 50 branches in Singapore, more than 45 branches in Malaysia and more than 300 branches across over 60 cities in Indonesia. In Greater China, we are well represented with more than 100 branches. Our standing as one of the largest foreign banks in the Greater Bay Area, combined with our extensive reach in Southeast Asia, means we are uniquely placed to capture the flows within and between the two regions. Beyond Asia, we have a presence in Australia, the Middle East, the United Kingdom and the United States to support our customers' growth beyond the region.

Core Businesses

Our core businesses of **Banking, Wealth Management** and **Insurance** are our key growth drivers. Drawing on OCBC's competitive strength as a leading, well-diversified financial services Group, we comprehensively serve individual customers through their life stages and corporate customers across their business life cycles.

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. With a **Diversified Funding Base**, sound capital position and robust balance sheet, we have the financial strength to support growth and capture opportunities with confidence. **Digital Transformation** across our organisation has enabled us to redefine how we engage our customers and deliver greater value to them. This transformation is supported by our **Future-Smart Talent**, whom we take a structured approach to training and developing.

Our efforts are only possible through **Valuing our People**, covering both talent management and retention, as well as nurturing an inclusive workforce. Our commitment to **Engaging Communities** encompasses both our economic contributions and our community development efforts.

Finally, we are conscious that **Being Environmentally Responsible** requires us to optimise our environmental footprint.

Please refer to our Sustainability Report on Pages 52 to 81.

Digital Innovation

We have a longstanding track record of first-to-market solutions by taking a two-pronged approach towards digital transformation: First, we invest in developing our internal resources, including a digitally-empowered workforce and robust data and technology platforms, and we incubate internal employee ideas at our Innovation Lab. Additionally, we embrace external collaboration with fintech companies through The Open Vault at OCBC, and we harness new technologies – from biometrics to artificial intelligence (AI) – in a discerning manner.

Corporate Social Responsibility

Our goal is to deliver long-term benefits to the communities where we operate, with a focus on the more vulnerable segments of society and protecting the environment. Besides sponsoring large-scale community projects such as the Singapore Sports Hub and the OCBC Skyway at 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 also champion environmental sustainability.

Our Stakeholders

Customers

Employees

Investors

Community

With our Individual Customers Every Step along their Life Journeys

We provide for consumer customers through every life stage – from the time they are born to their retirement years.

Youth

No.1

market share for study loans in Singapore

New to Workforce

6 in 10

young professionals aged 23–29 in Singapore bank with OCBC

New Families

Serving

8 in 10

families in Singapore with a Child Development Account

Catering to Diverse Customer Needs

OCBC Malaysia introduced

OCBC Education Loan

reinforcing its position as a market leader in Malaysia for study loans among commercial banks

Upgraded

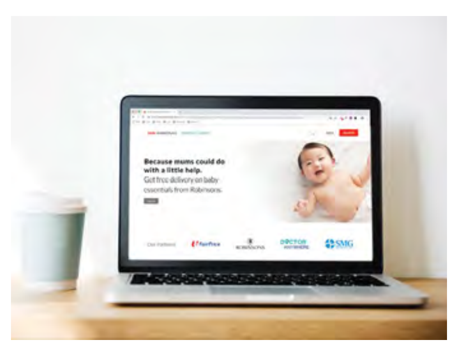
artificial intelligence-powered chatbot Emma

to handle queries on study loans, insurance, investments and OCBC Life Goals financial planning

Launched Singapore's

first loyalty alliance programme

to consolidate customers loyalty rewards across multiple industries



Launched

mumstruly.com

the first holistic website in Singapore offering curated goods and services for pregnant women and young mothers

Mature Families

More than

4,000

customers made financial plans with OCBC Life Goals

Active Seniors

1 in 2

seniors aged 55 and above in Singapore bank with OCBC

Launched

OneAdvisor Home

a one-stop advisory platform for property purchases, covering affordability advice, property listings and renovation providers

Newly-launched

OCBC Life Goals Self-Serve Dashboard

allows customers to plan and monitor financial goals at their convenience

Introduced

Silver Years by OCBC Life Goals

programme to address retirement risks faced by seniors that are often overlooked by financial institutions

Broad-Based Growth across the Consumer Franchise

Consumer Loans
(S$ billion)

102.75
December 2017

106.59
December 2018

3.7% ↑

Consumer Deposits
(S$ billion)

126.36
December 2017

134.52
December 2018

6.5% ↑

Assets under Management [1]
(S$ billion)

188.40
December 2017

200.38
December 2018

6.4% ↑

Gross Wealth Management Fees
(S$ million)

914
2017

958
2018

4.8% ↑

[1] Includes the AUM of OCBC Premier Banking, OCBC Premier Private Client, Bank of Singapore and OCBC Wing Hang Premier Banking.

With our Individual Customers Every Step along their Life Journeys

We provide for individuals from those who have just received their first pay cheque to ultra-high net worth individuals.

Emerging Affluent

+11%
FRANK by OCBC accounts among youths aged 16-29

No. 1
market share for bancassurance among foreign banks in Malaysia

Affluent

+129%
new OCBC Wing Hang Premier Banking customers in Hong Kong

+24%
overseas market trading volume among OCBC Securities retail customers

Helping Customers Grow Their Wealth

First bank in Southeast Asia to launch robo-investment service, **OCBC RoboInvest**

OCBC Securities launched **iOCBC Pro platform** for sophisticated traders in Singapore

OCBC Premier Banking services **extended to new markets** of Myanmar and Vietnam

Started new **Accredited Investor platform** offering customised investment solutions for OCBC Premier Private Client segment in Singapore

Launched **comprehensive wealth advisory programme** to equip wealth advisors with private banking competencies

Opened two new branches with OCBC Premier Banking centres in Malaysia and now **support affluent customers** with 35 Premier Banking centres nationwide

Enhanced **OCBC Wing Hang Premier Banking services** including overseas property financing, OCBC Life Goals programme, VOYAGE Card series and exclusive privileges

High and Ultra High Net Worth

S$139b
Bank of Singapore assets under management

+5%
Bank of Singapore assets managed under discretionary portfolio management

Hosted former US President
Barack Obama
at moderated forum with 1,000 Bank of Singapore clients

Bank of Singapore set up new
wealth subsidiary in Luxembourg
to tap on European market

Bank of Singapore signed Memorandum of Understanding to offer investment
opportunities to SMBC Trust Bank clients

Challenges We Face

1 **Market volatility due to trade tensions and geopolitical risks**

2 **Dampened investors sentiment due to moderating economic growth**

3 **Property cooling measures softening property demand**

4 **Intensifying price competition affecting loan and deposit margins**

5 **Mounting investments for regulatory compliance**

Our Hard Work Recognised

Ms Danielle Soh (in white), Wealth Management Product Manager, recognised as Service Excellence Champion — Second consecutive year an OCBC representative has been recognised
The Association of Banks in Singapore (ABS) Excellent Service Awards
OCBC Bank

Highest Number of Winners across the Financial Industry for Four Consecutive Years
The Association of Banks in Singapore (ABS) Excellent Service Awards
OCBC Bank

Highest in Retail Banking Customer Satisfaction
J.D. Power 2018 Singapore Retail Banking Satisfaction Study
OCBC Bank

Excellence in Customer Centricity
Retail Banker International Asia Trail Blazer Awards
OCBC Bank

Best Private Bank – Middle East and North Africa
Asian Private Banker Awards for Distinction
Bank of Singapore

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

Bank of the Year — Indonesia
The Banker
Bank OCBC NISP

Best Bank in Macau
Global Finance
OCBC Wing Hang

Supporting Businesses through Every Milestone

We support businesses through their growth journeys, from young start-ups to large multinational corporations.

Small and Emerging Businesses

Close to

S$1b

in government-backed loans disbursed over the last three years

1 in 2

SMEs in Singapore bank with us

Mid-Sized and Established Enterprises

2x

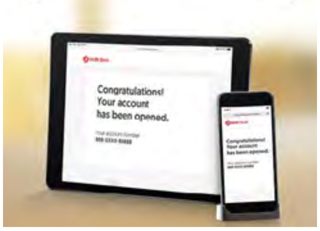
growth in business in Healthcare and Education services over the last three years

Giving Businesses the Backing and Support When They Need It

Launched first-to-market

instant online account opening

for Singapore SMEs



Launched first-of-its-kind

Digital Business Dashboard

in Singapore to help SMEs manage their business beyond banking

First to launch

business mobile banking

for SMEs in Malaysia

First in Singapore to launch differentiated services for

serial entrepreneurs

Doubled SME customer base

in Hong Kong over the last three years

23% growth in

Business First Loans

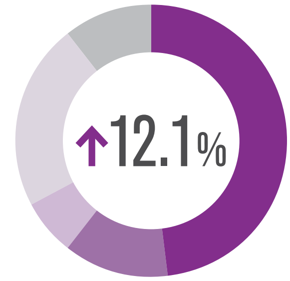
in Singapore

Robust Growth in our Corporate and SME Banking Business

Corporate Loans
(S$ billion)

132.25
December 2017

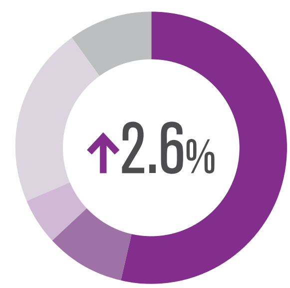
148.22
December 2018



Corporate Deposits
(S$ billion)

122.28
December 2017

125.47
December 2018



Large Corporates

More than
25
Project Finance transactions over the last three years

Government Agencies

14.7m
government transactions processed

Launched our
first green bond transaction
with China General Nuclear Power Corporation

Participated in the
first green loan
structured according to Green Loan Principles in Southeast Asia, to finance the environmentally-friendly Frasers Tower in Singapore

Enabled
faster disbursements
of EduSave awards by Singapore's Ministry of Education via PayNow

Supported CPF Board in becoming the first Singapore government agency to implement PayNow to
instantly disburse CPF funds

Partnered Wilmar International Limited on the
largest sustainability-linked loan
by a Singapore bank at the time of announcement, with interest rates pegged to sustainability targets

First to deliver
API-based solutions
for public sector, corporate and financial institution customers in the areas of electronic payments and transfers

Supporting Businesses through Every Milestone

League Table Rankings

No. 1 Singapore Syndicated Loans

No. 2 Singapore Dollar Bonds

No. 1 Malaysia Syndicated Loans

No. 2 Malaysia Ringgit Bonds by a Foreign Bank

Deal Highlights

Syndicated Loans

S$400m
First REIT
Mandated Lead Arranger and Bookrunner

RM360m
Asaljuru Weida Sdn Bhd
Joint Mandated Lead Arranger and Bookrunner

GBP650m
HSH Financial Services Limited
Mandated Lead Arranger

US$1.15b
Indonesia Eximbank
Mandated Lead Arranger and Bookrunner

S$180m
TP-STM Water Resources Pte Ltd
Joint Original Arranger and Swap Provider

A$502m
Wind Macarthur Finco Pty Limited
Mandated Lead Arranger

US$1.8b
Wii Pte Ltd
Mandated Lead Arranger and Bookrunner

US$360m
Wingate Overseas Holdings Limited
Mandated Lead Arranger and Bookrunner

Bonds

S$1.5b
Land Transport Authority of Singapore
Joint Lead Manager and Bookrunner

RM3b
GENM Capital Bhd
Joint Lead Manager and Bookrunner

US$1.5b
Bank of China Limited, Singapore Branch
Joint Lead Manager and Bookrunner

Multi-tranche USD & EUR Issue
China General Nuclear Power Corporation
Joint Lead Manager and Bookrunner

S$200m
Mapletree Treasury Services Limited
Sole Bookrunner

RM1b
Lembaga Pembiayaan Perumahan Sektor Awam
Islamic Commercial Papers Sole Subscriber

US$300m
PT Federal International Finance
Joint Bookrunner and Lead Manager

Dual-tranche USD & SGD Issue
China Aoyuan Property Group Limited
Joint Lead Manager and Bookrunner (USD tranche)/ Sole Lead Manager and Bookrunner (SGD tranche)

Equity and Financial Advisory

OUE & OUE Lippo Healthcare Acquisition of First REIT & Manager
Sole Financial Advisor

OUE Commercial REIT Rights Offering
Joint Lead Manager, Underwriter and Mandated Lead Arranger of Financing Facilities

Privatisation of Tat Hong
Sole Financial Advisor to Offeror and Mandated Lead Arranger of Acquisition and Refinancing Facilities

Partial divestment of and new investment in Tier 1 automotive parts manufacturer in Indonesia
Sole Financial Advisor

30% ↑
Singapore Syndicated Loan Volumes

33% ↑
Hong Kong Syndicated Loan Volumes

99% ↑
Malaysia Syndicated Loan Volumes

101% ↑
Malaysia Ringgit Bond Volumes

9% ↑
Indonesia Syndicated Loan Volumes

Proud History of Recognising Outstanding Businesses

Emerging Enterprise Award
Contributed more than S$1 million in prizes in 2018, including OCBC business overdraft facilities of more than S$750,000, to support exceptional young enterprises in Singapore. Jointly organised and sponsored with The Business Times for 11 years

Enterprise 50 Awards
Proud sponsor for the past 13 years of this annual award which recognises Singapore's top 50 privately-owned companies

Entrepreneur of the Year Award
Longstanding sponsor for the past 17 years of Singapore's oldest award honouring the best local entrepreneurs

The Edge Billion Ringgit Club
Sponsored by OCBC Malaysia for the past nine years to recognise outstanding publicly-listed companies in Malaysia which have over RM1 billion in market capitalisation

Challenges We Face

1 **Geopolitical uncertainty and trade tensions**

2 **Businesses looking for support to go digital**

3 **Higher demand for beyond banking services**

4 **Disruption from non-traditional players**

Consistent Recognition as One of Asia's Best SME and Corporate Banks

Best SME Bank in Singapore
Seventh consecutive year
Alpha Southeast Asia

Best Small Business Bank
The Asian Banker

ASEAN SME Bank of the Year
Eighth consecutive year
Asian Banking & Finance

Best Derivatives House, Southeast Asia
Alpha Southeast Asia

The Best Mobile Initiative, Application or Programme
The Asian Banker

Best Trade Finance Bank Singapore
Alpha Southeast Asia

Best FX Bank for Corporates and Financial Institutions, Singapore
Alpha Southeast Asia

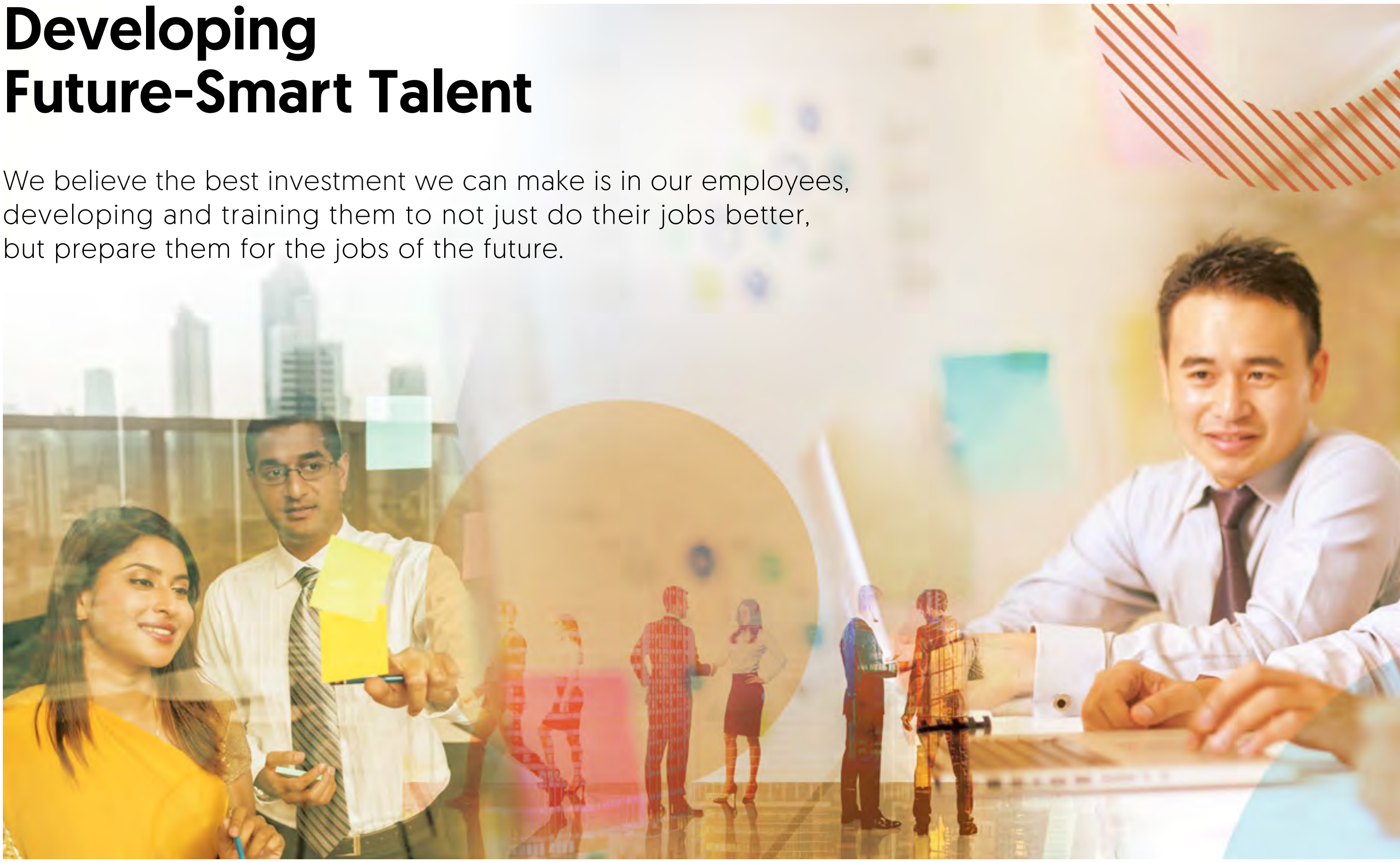
SME Bank of the Year in Indonesia
Fifth consecutive year
Asian Banking & Finance

SME Bank of the Year in Malaysia
Asian Banking & Finance

Best International Bank in Myanmar
Asiamoney

Developing Future-Smart Talent

We believe the best investment we can make is in our employees, developing and training them to not just do their jobs better, but prepare them for the jobs of the future.



Key Figures

Nurturing more than
29,000
employees worldwide

More than
5,500
learning and development programmes

Average
6.3 days
of learning for each employee

About
1 in 8
jobs filled internally

Bringing the Best out of our People

Launched S$20 million
Future Smart Programme
to equip all employees with digital skills for the future

More than
3,300 employees
participated in activities at innovation pods

More than
15,000 challenges
completed via the Future Smart app

More than
1,200 employees
enrolled for workshops and talks

MentorMe programme
arranges for mid-career women to be mentored by senior bank leaders

About 400 employees in Indonesia attended digital training programmes as part of Bank OCBC NISP's
Learning Festival

More than 2,000 OCBC Malaysia employees took part in
Learning Week
attending programmes in disruptive technologies, artificial intelligence, big data, fintech and augmented reality

More than

11,000

employees completed digital and fintech skills learning programmes

More than

4,300

attendees at Singapore's Institute of Banking and Finance-accredited programmes

Our Hard Work Recognised

Ms Elouise Chin recognised as Young HR Talent of the Year
Human Resources magazine HR Excellence Awards

Gold – Women Empowerment Strategy
Silver – Learning and Development
Bronze – HR Innovation
Human Resources magazine HR Excellence Awards

Gold – Leadership Development, Corporate Wellness
Human Resources magazine HR Excellence Awards
Bank of Singapore

Kaplan Professional Award for Best Training, Learning and Development
HRM Awards

Best HR Application (HR in Your Pocket App)
The Asian Banker

Gold – Best Graduate Recruitment Programme
Silver – Best Staff Referral Programme
In-house Recruitment Team of the Year
Best Recruitment Programme for Non-Degree Holders
Human Resources Asia Recruitment Awards

Recognised for Fair and Progressive Employment Practices, Work-Life Excellence
Tripartite Alliance Award

CEO Quality Award

recognises staff who have made exemplary contributions, such as a team from OCBC Wing Hang that redesigned the process of setting up accounts for customers, resulting in turnaround time falling by more than half and contributing to two-fold increase in new-to-bank customers

OCBC Executive Development Programme

which grooms promising individuals for leadership roles, included an immersion programme in China for the first time for 33 employees

Held week-long

leadership programme

for 73 Graduate Talent Programme participants from Singapore, Malaysia, Indonesia and Hong Kong

Renovated Little Skool-House@OCBC Centre and opened a new centre at Tampines Plaza

to improve learning environment and experience

of employees' children

Recognising the importance of family, employees got to

bring their families to work

on one day so their loved ones could see where they work

Creating Investor Value

Five-Year Share Performance

OCBC Share Price (S$)

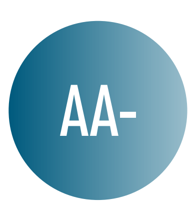
Source: Bloomberg

	2014	2015	2016	2017	2018
OCBC Share Price (S$) [(1)]					
Highest	10.50	10.90	9.45	12.59	**13.96**
Lowest	8.84	8.54	7.45	8.98	**10.40**
Daily average	9.60	9.85	8.60	10.68	**12.05**
Last Done	10.46	8.80	8.92	12.39	**11.26**
Market Capitalisation (S$b) (based on last done price)	41.7	36.2	37.3	51.9	**47.9**
Ratios [(1)(2)]					
Price-to-earnings ratio [(3)]	9.37	10.35	10.46	11.24	**11.37**
Price-to-earnings ratio – based on core earnings [(3)]	10.45	10.35	10.46	11.24	**11.37**
Price-to-NAV (number of times) [(3)]	1.29	1.23	1.01	1.19	**1.26**
Dividend yield (%)	3.75	3.66	4.19	3.46	**3.57**

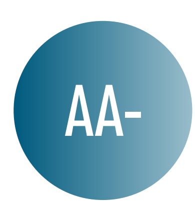
[(1)] Figures have been adjusted for the effects of the 1-for-8 rights issue, effected on 26 September 2014.
[(2)] Price ratios, dividend yield and price-to-NAV ratio are based on average share prices.
[(3)] 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International).

Strong Credit Ratings with Stable Outlook

Moody's



Fitch



S&P

Delivering Superior and Sustainable Returns

11% ↑
Net Profit

11.5%
Return on Equity
an increase from 11.0% in 2017

14% ↑
5-Year Share Price

43 cents
Dividend Per Share
an increase from 37 cents in 2017

36% ↑
5-Year Total Shareholder Returns

40%
Dividend Payout Ratio
an increase from 37% in 2017

Recognition in 2018

Best Investor Relations Company (Singapore)
Corporate Governance Asia's Asian Excellence Awards

Best Annual Report — Bronze Award for Companies with S$1 billion and above in market capitalisation
Singapore Corporate Awards

Investment Community Engagement

Coverage by 28
research analysts

All resolutions passed at the Annual General Meeting 2018 with an
average approval rate of more than 97%

Conducted
more than 500
meetings and conference calls with investors, rating agencies and analysts

Timely disclosures
of material corporate developments

Quarterly results briefing
with media and analysts

Semi-annual
live webcasts
of results briefings

Attended multiple
broker-hosted conferences and non-deal roadshows
held locally and overseas

OCBC Investor Day
showcased OCBC's digital transformation journey, which has enabled the bank to redefine customer engagement and deliver greater value, including the launch of many first-to-market digital innovations

Organised
briefing to familiarise analysts
on the impact of new accounting standards on OCBC

Caring for our Community and the Environment

Our #OCBCCares Programme focuses on helping the more vulnerable in society and doing our part to protect Mother Earth.

Donations

We invested in programmes that delivered sustainable and long-term benefits by supporting the unserved and under-served segments of the community and expanded efforts to protect the environment

More than

S$1.82m

donated in 2018

Volunteers

We committed talent, time and service to sustainably improve lives through strategic programmes

9,910

staff volunteers dedicated

43,248

hours building relationships with communities

1 in 3

gave back to the community

Caring for the Environment

We supported ground-up projects which achieved positive outcomes on the environment, ranging from enhanced biodiversity, responsible waste disposal and discouraging single-use plastics to protecting wildlife

S$87,000

given to six ground-up projects to enhance Singapore's environmental landscape

Planted

213

critically-endangered trees and shrubs at Coney Island Park which can approximately offset one year of household carbon emissions for almost 88 persons in Singapore

Lives Impacted

We tackled social issues including dementia among the elderly, better healthcare for persons with special needs and nutritious food for the needy

106,116

lives impacted through our financial and volunteer support

Our 10th year organising OCBC Cycle, an iconic sporting event in both Singapore and Malaysia, promoting active and healthy lifestyles

Our seventh year sponsoring the OCBC Skyway at Gardens by the Bay as part of our 18-year

S$8m

commitment

Our sixth year as exclusive Premier Founding Partner with Singapore Sports Hub as part of our 15-year

S$50m

commitment

9,910 volunteers across our core markets dedicated talent and time to sustainably improve 106,116 lives

Singapore

2,474	12,517
Volunteers	Volunteer hours

160	16,931	113
Volunteer leaders	Beneficiaries	Initiatives

Malaysia

2,552	10,994
Volunteers	Volunteer hours

214	42,660	58
Volunteer leaders	Beneficiaries	Initiatives

Greater China

2,549	15,143
Volunteers	Volunteer hours

240	31,841	77
Volunteer leaders	Beneficiaries	Initiatives

Indonesia

2,335	4,594
Volunteers	Volunteer hours

742	14,684	699
Volunteer leaders	Beneficiaries	Initiatives

Caring for our Community and the Environment

Caring for the Needy in Society

Through our #OCBCCares Programme, we support the unserved and under-served in our communities so that no one falls through the cracks. A total of 947 activities were organised across our core markets to help the elderly, persons with special needs, families, as well as at-risk children and youths.

Singapore

Mr Ooi Sang Kuang, Chairman, OCBC Bank (far left) and Dr Koh Poh Koon, Senior Minister of State, Ministry of Trade and Industry; and Member of Parliament, Ang Mo Kio GRC (second from left) joined 110 seniors from AWWA and 80 OCBC volunteers at the launch of the OCBC Glowing Years Programme on 4 August 2018.

Combining a fun exercise regime with a compelling incentive scheme, the programme helps vulnerable seniors

improve their motor and cognitive skills

to reduce risk of dementia or slow down deterioration

President Halimah Yacob (fourth from left), OCBC Group CEO, Mr Samuel Tsien (second from left) and Patron of the Movement for the Intellectually Disabled of Singapore, Dr Cheong Choong Kong (far right) officially opened the MINDS Developmental Disabilities Medical Clinic on 21 March 2018.

This clinic, which we helped set up, provides early and comprehensive assessments to

help identify health problems

and introduce appropriate intervention and treatment

Our LunchTime GiveBack programme was introduced to make it

easier for staff to volunteer

during their lunch hour. Since March 2018, more than 800 volunteers have participated in this monthly programme, reaching out to 560 beneficiaries

60 volunteers

prepared dinner for 100 seniors

from the AWWA Home in Ang Mo Kio

Adding a nostalgic touch, they prepared favourite dishes such as the *Ramlee* burger and *cheng tng* dessert

Malaysia

15 volunteers refurbished the facilities at the Sekolah Kebangsaan at Shah Alam to provide a more

conducive learning environment

for 97 students with special needs

208 volunteers partnered the Federation of Malaysian Manufacturers in Penang to organise a walk to

raise funds

for 4,075 children across 24 charity organisations

34 volunteers visited the Rumah Kasih Hospital in Kuala Lumpur

to bring cheer

to homeless and terminally-ill patients who were abandoned by their families

Indonesia

Mr Pramukti Surjaudaja, President Commissioner of Bank OCBC NISP (fourth from right), greeting needy individuals heading back to their hometowns for the Hari Raya festivities. Bank OCBC NISP provided transportation for those who could not afford the bus fare, and

distributed 6,760 food packages

to the disadvantaged in six cities

140 volunteers conducted

money management classes

in seven cities, reaching out to close to 3,000 participants, including students and housewives

Hong Kong

In a joint community project in Hong Kong, OCBC volunteers from Hong Kong and Singapore

taught students practical tips on money management

90 volunteers helped prepare meals at Food Angel, a non-profit soup kitchen and provided

hot meals for 8,400 needy seniors

China

52 volunteers from China and Singapore, including CEO of OCBC Wing Hang China, Ms Kng Hwee Tin, reached out to 210 children in Shanghai. Through activity-based lessons, we taught them to look beyond their circumstances

to lead purposeful lives

More than 10 volunteers visited the Shanghai Yangjiaoyuan Experimental Primary School regularly over one month to help students improve their

English literacy skills

26 volunteers donated

360 books

to Shanghai Yigang Primary School

Caring for our Community and the Environment

Playing our Part in Protecting the Environment

When it comes to combating a global concern such as climate change, any single organisation's efforts alone is not enough. Collective effort and every little bit counts. That's why we partner government bodies, advocates and citizen groups to promote environmental sustainability efforts that make a real impact.

Singapore

#OCBCCares Fund for the Environment

- First private sector-led initiative to provide full financial support for ground-up projects that help enhance Singapore's environmental landscape
- S$100,000 committed annually
- Received 28 applications for funding. Applicants' ages ranged from 20 to 69
- Funded six projects amounting to S$87,000

Responsible binning

Collected

800kg of plastic bottles and 880kg of fruit peels

over three mass sporting events, including OCBC Cycle 2018

Plastic bottles were recycled while fruit peels were distributed to the gardening community to be used as compost

Enhancing biodiversity

Planted

300 trees and shrubs

at Sarimbun Scout Camp

Eight months on — Spotted 10 new butterfly species, the rare changeable hawk and white-bellied sea eagle nests

Reducing single-use plastics

10,000 National University of Singapore students across 13 halls and residences now

use reusable containers for daily meals

Keeping waters clean

80 volunteers on wheels organised 11 trips around the Punggol Waterways

to promote responsible upkeep of the waters

Protecting wildlife

Trained 40 individuals on how

to lead long-tailed macaques back to their natural habitat

Conducted

63 outreach programmes for 10,000 people

to promote human-wildlife coexistence

Habitat enhancement programme at Coney Island Park in Singapore

OCBC Group CEO Mr Samuel Tsien (far right), OCBC Head of Group Operations and Technology, Mr Lim Khiang Tong (third from right), Chairman of the Garden City Fund, Professor Leo Tan (second from left) and NParks Assistant CEO, Parks Management and Lifestyle Cluster, Mr Kong Yit San helped plant 213 critically-endangered trees and shrubs on Coney Island

OCBC goes #NoPlastics

Doing our part to reduce single-use plastics, we gave more than 6,000 employees in Singapore specially-designed flasks. This can help us

reduce the use of plastic bottles

These flasks will also be progressively distributed to all employees in our core markets

Malaysia

18 volunteers

collected more than 180kg of trash

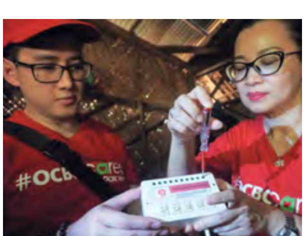
along Bagan Lalang beach, Selangor, with more than 100kg being plastics. Effective Microorganisms (EM) mud balls were then thrown into the sea to stop algae growth, break down sludge, suppress pathogens and control ammonia levels in the waters

39 volunteers from our Kota Kinabalu branch partnered the Junior Chamber International to rally more than 1,000 individuals to participate in the inaugural charity Shark Runner 2018 event

We also donated RM20,000

to support long-term efforts to protect this declining breed and to discourage shark fin consumption

Indonesia



Volunteers from Bank OCBC NISP and Great Eastern Life Indonesia, including Ms Mirah Wiryoatmodjo, Director of Bank OCBC NISP (right), joined hands to

install electricity

and energy-saving light bulbs in 100 homes and a school in Dusun Cilele, Karawang Region, West Java

China

24 volunteers from our branches in Qingdao and Zhuhai walked along the coastline of Huichang Community beach and Yeli Island

to help clear trash left behind

by visitors and passing vessels. They were accompanied by their family members and children, who learnt the significant impact of irresponsible littering on the environment

Hong Kong

Chief Executive of Bank of Singapore Hong Kong branch Mr Derrick Tan, (last row, far left), OCBC Group CEO, Mr Samuel Tsien (second from left), CEO of OCBC Wing Hang Mr Na Wu Beng (third from left) and OCBC Bank Regional General Manager for North East Asia Mr Tan Wing Ming (second from right) helped students of Asbury Methodist Primary School

build an aquaponics system

Strengthening Community Ties through Cycling Fiestas

OCBC Cycle Singapore

OCBC Cycle in Numbers

More than

6,500

participants, including

764

OCBC Bank employees

S$15,000

raised for charity

Teach a Child to Cycle initiative

was extended to 48 youths with special needs, including eight from Hong Kong. After being taught to cycle by volunteers, the youths (pictured here with Emeritus Senior Minister Goh Chok Tong, the patron of Mediacorp Enable Fund, and OCBC Chairman, Mr Ooi Sang Kuang) rode in a special segment at the Singapore Sports Hub

Eight cyclists participated in

Project Training Wheels

a programme that provides free cycling lessons to adults who do not know how to cycle, culminating in their successful completion of the 23-kilometre The Straits Times Ride

A first-of-its-kind collaboration

with a bicycle-sharing platform saw one in five participants utilise on-site bicycles rent-free

The nation's largest community cycling festival attracted more than 6,500 cycling enthusiasts over 5 and 6 May 2018. They were spoilt for choice between breezing along closed roads on scenic 23-kilometre and 40.8-kilometre routes, heart-pumping competitive races or fun-filled family bonding sessions in the

OCBC Mighty Savers® Kids and Family Ride

Companies did their part for the less fortunate through

The Business Times Cycle of Hope

About 130 employees from seven companies took part in the race, with over half of the registration fees donated to four meaningful causes

A total of 23 teams from 18 companies vied for the coveted Champions' Jersey in a new category,

the OCBC Cycle Corporate Chase

The unique format saw each team of four cyclists complete the 40.8-kilometre The Sportive Ride route, with Singapore Civil Defence Force (SCDF) Team B powering to victory

OCBC Cycle Singapore features a competitive element for national and amateur cyclists alike in the form of

OCBC Cycle Speedway Championships

The fourth edition of the OCBC Cycle Speedway

Southeast Asia Championship

featured plenty of drama and suspense, with Myanmar emerging victorious from a talented line-up of seven other countries

In the OCBC Cycle Speedway

Club Championship

15 teams representing 12 prestigious clubs in Singapore fought for top honours, and Specialized Roval Mavericks Team 1 reclaimed their throne as the top cycling team in Singapore

OCBC Cycle Kuala Lumpur

OCBC Cycle in Numbers

More than

2,000

participants

including over

300

OCBC Bank employees

More than 2,000 cyclists from

all walks of life

converged in the heart of Kuala Lumpur, Malaysia, on 11 November 2018 for the fourth edition of OCBC Cycle Kuala Lumpur

The event celebrated its

Cycle Together

theme with a new category for increasingly popular fat bikes, alongside the usual ones for road bikes, mountain bikes and foldies

The 42-kilometre route took cyclists past some of the capital's most

iconic landmarks

including the Petronas Twin Towers, Sultan Abdul Samad Building and the National Mosque

Creating Sustainable Value and Inspiring a Better Future

About This Report

Approach to Reporting
At OCBC, reporting is an important mechanism that demonstrates transparency and accountability to our stakeholders. Through our report, we hope to be responsive to stakeholders' interests and concerns, in order to build mutual understanding, trust and respect. Furthermore, the reporting process is part of our management approach to sustainability, supporting our efforts to drive continuous improvement across our business.

Scope of the Report
This is our second annual Sustainability Report. It covers the operations of the OCBC Group globally except for Great Eastern Holdings, a separately-listed subsidiary that publishes its independent sustainability report in accordance with the requirements of SGX-ST Listing Rules. The contents of this report focus on the activities carried out within the financial year ending 31 December 2018. Where applicable, data from previous financial years have been included for comparison and to show our performance over time. While we value consistency, we also strive to improve our approach to reporting year on year. As such, in 2018, we updated our material Environmental, Social and Governance (ESG) factors, described on page 55, to better communicate our management of the sustainability agenda.

Reporting Framework
We have adopted the Global Reporting Initiative (GRI) Standards as our reporting framework. This report has been prepared in accordance with GRI Standards: Core option and GRI G4 Financial Services Sector Disclosures. This includes adhering to the GRI principles for defining report content:

- Sustainability context
- Stakeholder inclusiveness
- Materiality
- Completeness

We have also referenced the primary components detailed in the Singapore Exchange (SGX) Listing Rules guide for sustainability reporting.

Data and External Assurance
While the data included in this report has undergone a rigorous review as part of our internal processes, we have not sought external assurance for this reporting period.

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Contact

We welcome your feedback and suggestions at **corpcomms@ocbc.com**.

Board Statement

Sustainability at OCBC is not just about doing good. It is about investing in a better future for our business and making a positive and lasting impact on society, driven by our Purpose and our six corporate values. This has guided the way we do business for the past 86 years and enabled us to adapt effectively to an ever-evolving operating environment.

Welcome to our second annual Sustainability Report. As a sustainable and responsible organisation, we seek to provide stakeholders with a better understanding of our business and our approach to creating long-term value. Our report provides a clear presentation of OCBC's sustainability strategy and of its Environmental, Social and Governance (ESG) performance.

The Board considers sustainability to be an integral part of OCBC's long-term strategy formulation and is responsible for overseeing the integration of sustainable practices across the business. We evaluate potential ESG factors to determine which are material and relevant against the backdrop of a changing business landscape and our key business developments. Accordingly, 12 material ESG factors have been identified as relevant to our business operations and stakeholders.

In 2018, we developed a Sustainability Framework, which provides a clear vision of what sustainability means to us at OCBC, reinforcing it within our culture and entrenching it within our corporate DNA. We believe that adopting the framework and using it to improve our business practices will create long-term value for our investors and shareholders.

The Sustainability Framework builds on our past efforts by articulating our ambitions through five pillars:

- Putting customers first
- Acting with integrity
- Valuing our people
- Engaging communities
- Being environmentally responsible

Using this framework as a blueprint, we want to create a healthy society for future generations and are committed to supporting the United Nations Sustainable Development Goals (SDGs). In this regard, we recognise the unique role we play in helping to achieve the SDGs and in promoting sustainable development. We have identified five SDGs that are most consistent with our ESG factors and business. These five SDGs, we believe, will enable the Bank to create a long-term, positive impact for our customers, employees, investors and society. Fundamental to this is the financing of energy solutions that enable the necessary transition to a low-carbon economy. Our goal is to reduce new financing of coal-fired power plants, while increasing the percentage of clean and renewable energy in our portfolio. This, again, is aligned to our Purpose and corporate values.

In this year's report, we are particularly proud of the milestones reached in 2018. These include further enhancing our responsible and sustainable approach to finance, recent successes in our digital transformation across all departments, our award-winning schemes to train and equip our employees for the future, and our achievements in supporting the community and the environment through the #OCBCCares Programme.

We hope that this report provides a clear and realistic account of our approach to managing sustainability and our performance. Together with the Board, our Management remains committed to enhancing our practices over time.

Our Approach to Sustainability

Our Sustainability Framework

Financial services are fundamental to the resilience and wellbeing of societies. We aim to create sustainable value and enable a better future for the people we engage by providing relevant financial services and trusted advice.

Our framework to achieve this vision is based on five pillars that reflect our sustainability commitments and embody our material Environmental, Social and Governance (ESG) factors.

This framework provides a clear vision for what sustainability means at OCBC. As such, it guides our approach to embedding responsible and sustainable business practices into the core of our business.

We report our progress and performance on each material ESG factor within our framework on pages 62 to 81.

Putting Customers First

- Customer Experience
- Financial Inclusion
- Digitalisation

Acting with Integrity

- Strong Governance
- Fair Dealing
- Responsible and Sustainable Financing
- Combating Financial Crimes and Cyber Threats

Valuing our People

- Inclusive Workforce
- Talent Management and Retention

Engaging Communities

- Economic Contributions
- Community Development

Being Environmentally Responsible

- Environmental Footprint

Implemented through our policies, procedures and programmes monitored through Key Performance Indicators (KPIs) and targets to track and report our performance

Our Approach to Sustainability

The Sustainable Development Goals (SDGs)

On 25 September 2015, leaders from 193 countries came together at a historic UN Summit in New York to adopt the 17 SDGs, also known as the Global Goals for Sustainable Development.

The SDGs represent the world's most pressing priorities until 2030. They address a broad range of issues from taking action to eradicate poverty to protecting the planet.

At OCBC, we recognise the unique role we must play in helping to achieve the SDGs and in promoting sustainable development, including the transition to a low-carbon economy.

Having considered the alignment with our own material ESG factors, we have identified five SDGs where we believe we can make the biggest contribution to sustainable development.

We also recognise that we can have an impact across all 17 SDGs in different ways. We hope to support all the SDGs as a holistic framework for a better future through the financial products and services we bring to market, managing our business operations sustainably and responsibly, and being an advocate for sustainable development.

Relevant SDG Targets
3.8 — Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Alignment with OCBC's Material ESG Factors
- Financial Inclusion
- Community Development

How OCBC is Contributing
- Providing a full range of bancassurance products to our customers, in partnership with our subsidiary, Great Eastern Holdings
- Funding projects through our #OCBCCares Programme to promote mental wellbeing for less advantaged children, youths, the elderly and individuals with special needs

Relevant SDG Targets
7.2 — Substantially increase the share of renewable energy in the global energy mix by 2030

7.3 — Double the global rate of improvement in energy efficiency by 2030

Alignment with OCBC's Material ESG Factors
- Responsible and Sustainable Financing
- Environmental Footprint

How OCBC is Contributing
- Financing a broad range of sustainable energy projects across our markets, including solar farms, wind farms and clean energy technologies
- Integrating ESG considerations into our lending practices and capital market activities
- Continuously improving the environmental impact of our buildings and branch operations

8 DECENT WORK AND ECONOMIC GROWTH

Relevant SDG Targets

8.4 — Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead

8.5 — By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.10 — Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Alignment with OCBC's Material ESG Factors

- Financial Inclusion
- Responsible and Sustainable Financing
- Inclusive Workforce
- Talent Management and Retention
- Economic Contributions

How OCBC is Contributing

- Providing innovative and relevant financial services to help individuals and businesses of all types and sizes to succeed and achieve their aspirations

- Strengthening existing policies and lending criteria, in particular establishing Responsible Financing policies for the following elevated risk sectors: Energy, Mining and Metals, Agriculture and Forestry

- Creating a work environment that is inclusive and supportive of our employees

- Investing in learning and development to ensure that all our employees have the opportunity to grow

- Contributing to wider economic growth and development by paying salaries, taxes and dividends to shareholders, as well as procuring from local suppliers

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Relevant SDG Targets

9.4 — By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally-sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities

Alignment with OCBC's Material ESG Factors

- Responsible and Sustainable Financing
- Economic Contributions

How OCBC is Contributing

- Financing projects that support the development of sustainable infrastructure and industrial operations

- Continuously improving the environmental impact of our buildings and branch operations

13 CLIMATE ACTION

Relevant SDG Targets

13.3 — Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Alignment with OCBC's Material ESG Factors

- Responsible and Sustainable Financing
- Community Development
- Environmental Footprint

How OCBC is Contributing

- Financing a broad range of sustainable energy solutions (including renewables), water management and pollution control projects in our markets

- Supporting ground-up projects that raise awareness of sustainability issues and engaging communities to take action through the #OCBCCares Fund for the Environment

- Continuously improving the environmental impact of our buildings and branch operations

Our Approach to Sustainability

Our Sustainability Governance Structure

To achieve our aspirations and embed responsible and sustainable practices into our business, a robust governance structure is important.

The Board has ultimate responsibility for overseeing all aspects of sustainability at OCBC. It is supported by the Sustainability Council and the Sustainability Working Group.

OCBC is committed to inculcating a culture of responsible and sustainable business throughout the organisation.

We encourage leadership, innovation and collaboration as well as sharing of best practices at all levels, in order to enhance the sustainability agenda across the business.

The Sustainability Council evaluates our management and performance for each of our material ESG factors and regularly updates the Board on progress. We make improvements to our approach as required on an ongoing basis.

	Roles	Members
Board	The Board has overall responsibility for sustainability efforts. It takes our identified material ESG factors into careful consideration when formulating OCBC's strategy	• Board Directors
Sustainability Council	The Sustainability Council is responsible for identifying, managing and monitoring material ESG risks and opportunities. It is also 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 Brand and Communications
Sustainability Working Group	The Sustainability Working Group is responsible for implementing sustainability initiatives, engaging internal and external stakeholders on sustainability matters, driving performance against our material ESG factors through the setting and measurement of KPIs and targets, and compiling our annual Sustainability Report	• Consumer Financial Services Singapore • Global Corporate Banking • Group Brand and Communications • Group Human Resources • Group Legal and Regulatory Compliance • Group Operations and Technology • Group Property Management • Group Risk Management • Investor Relations

Our Materiality Assessment Process

In 2017, we conducted a four-step exercise to identify and prioritise the ESG factors that are most material to us. For details of the process, please refer to the diagram below.

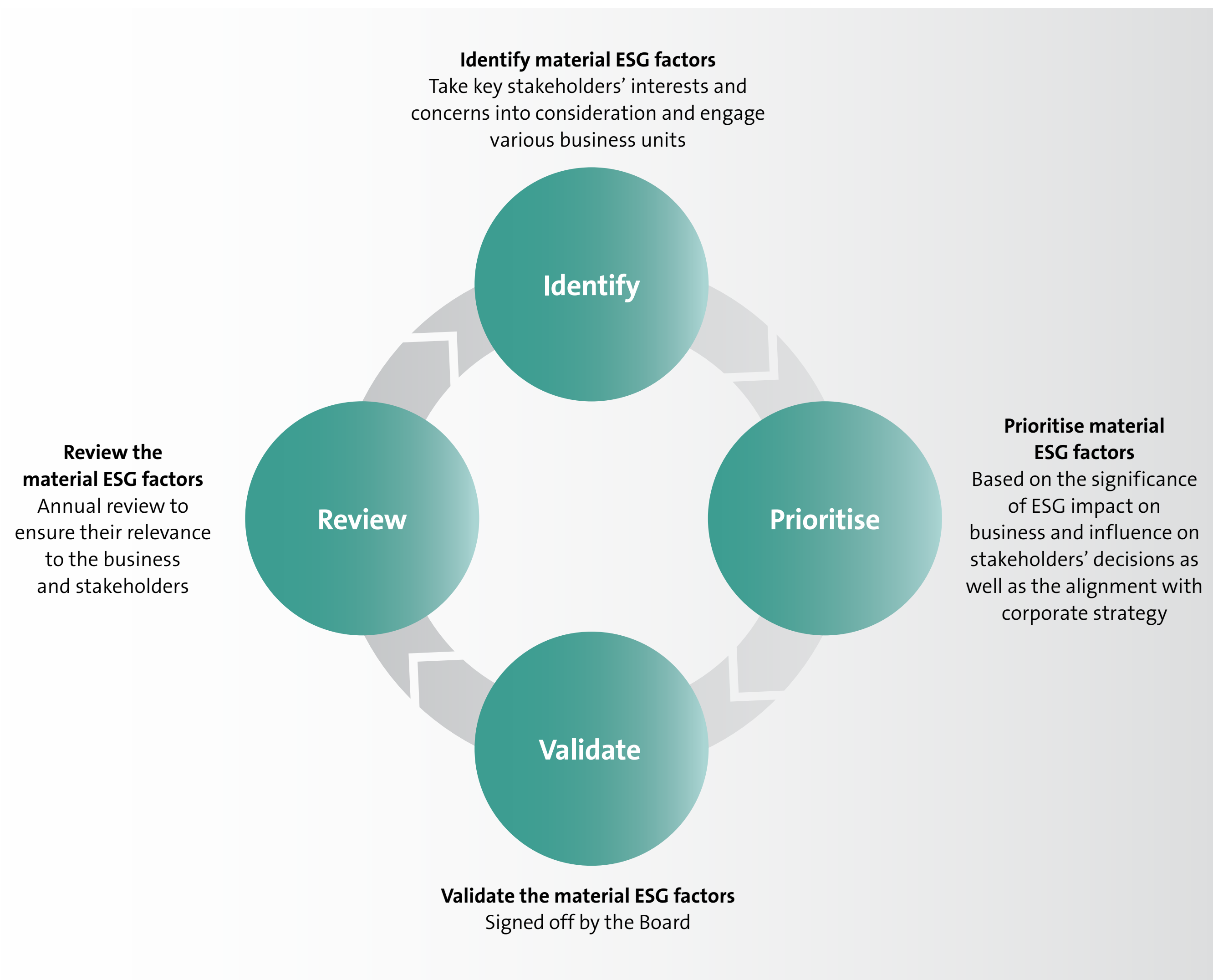
This year, we reviewed and further refined our ESG factors through an exercise which:

- Separated Digitalisation, as a standalone material factor, from within Customer Experience. Digitalisation is one of the key strategic priorities of the Group

- Expanded the former material factor Responsible Financing to include our efforts to develop relevant and innovative financial solutions that promote sustainable development. Renamed the factor as Responsible and Sustainable Financing

- Separated Talent Management and Retention, as a standalone material factor, from within Inclusive Workforce, because this issue is an important part of our agenda to value our people

As we progress on our sustainability journey and our business context changes, we will continue to evolve and update our material factors through stakeholder engagements and in consultation with Management across our operations globally.



Our Approach to Sustainability

Stakeholder Engagement

At OCBC, we recognise stakeholder cooperation can positively influence our business performance. Every day, at every level of the business, we engage with a diverse group of stakeholders, both formally and informally. We have identified our key stakeholder groups through an internal mapping exercise, which prioritised those that have a significant impact on and/or are significantly impacted by our operations.

Stakeholder Groups	Interests and Concerns	Our Response
Customers	• Quality and consistency of the customer experience • Commitment to customer relationships • Quality of advice • Relevance and suitability of recommended products and services • Adherence to Fair Dealing principles	• Deliver superior customer experience by leveraging new technologies • Develop customer-centric products and solutions based on customer insights drawn from continuous interactions with customers • Design seamless, simple and meaningful ways to interact and engage with the Bank • Engage customers through our Simply Spot On Brand Promise as a pledge to understanding their needs
Employees	• Supportiveness of work culture • Progressiveness of work environment • Opportunities for continuous learning and development	• Engage employees with HR policies and programmes based on the three pillars of the OCBC Employer Brand – Caring, Progressive and Delivering a Difference • Ensure no employee is left behind in our digitalisation journey through our Future Smart Programme, which trains and develops digital competencies of employees globally
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 disclosure • Adopt responsible financing framework and disclose sustainability commitments and practices • Host a Digital Investor Day to communicate our digital strategy to investors • Address Environmental, Social and Governance (ESG) queries in a timely and responsible manner
Communities	• Support for family cohesion • Support for the needs of an ageing population • Societal acceptance of individuals with special needs • Promotion of environmental sustainability • Availability of education opportunities for children and youths	• Continue with the #OCBCCares Programme, which offers holistic support to make a difference • Organise community engagement activities to build relationships • Support biodiversity enhancements at Coney Island in Singapore • Continue with the #OCBCCares Fund for the Environment to support ground-up initiatives which deliver sustainable environmental impact • Offer bond-free scholarships and book prizes • Sponsor the 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 risks • Commitment to combating financial crime • Strength of data governance and security • Preparedness to face 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 and provide regular training for employees on applicable laws, rules and regulations • Conduct compliance testing • Leverage on fintech solutions to improve regulatory monitoring effectiveness

Through continuous, constructive and open dialogues, we identify and address potential issues proactively and collaboratively. These interactions enable us to respond effectively to sustainability challenges and opportunities which affect us all. Our approach towards stakeholder engagement is summarised in the table below.

Engagement Method	**Frequency**
• Surveys, interviews and workshops to better understand our customers and benchmark against competitors • Customer complaint tracking and problem resolution process/governance • Cross functional projects with focus on the improvement of the experience and the delivery of our Brand Promise • Active senior engagement in customer experience projects • Employee training programme on human-centered design techniques to ensure our customers are the focus of the product development process	• Regular interactions with customers through qualitative and quantitative research methods • Monthly tracking of service level performance across various channels and customer complaints • Monthly reporting to senior management on customer service excellence • Annual benchmarking against competitors
• 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 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 have strategic long-term impact on 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, as appropriate to circumstances

Putting Customers First

Customer Experience

Why this is Material to Us
Our customers are at the heart of our business. By listening to our customers, understanding their needs and delivering the best products and services, we aim to deliver a superior customer experience. This is fundamental to deepening our engagement and forging enduring relationships with them.

Our Management Approach
Being a customer-centric bank and putting customers first is our fundamental philosophy and drives what we do at all levels.

We aim to make banking with OCBC as simple and seamless as possible across all our channels and touchpoints. This starts with a relentless focus on improving our customers' journey with us.

Improving customers' journey
We employ a variety of techniques to better understand our customers: their needs, behaviours, pain points and use of our products and services. From there, we extract insights that guide the design of the events that customers are exposed to, in order to bank with us in a meaningful and effective way. The same insights are the basis for the development of products and services that address concrete customer needs.

The experience we deliver is closely monitored at both the strategic and operational level. Our Service Excellence Council (SEC) has oversight of our metrics for tracking customer experience and responsibility for setting the high-level strategy. The SEC, chaired by our Group CEO, includes representatives from our business divisions and reports directly to the Board.

Selected Policies, Procedures and Programmes

Launching Simply Spot On
- A new Brand Promise was launched in 2018 that reflects our commitment to listening to our customers and understanding their specific needs, to best provide solutions for them

Driving continuous improvement through tracking and understanding customer satisfaction
- The Net Promoter Score (NPS) is tracked on a monthly basis and measures the overall customer engagement at product, segment and overall company levels, based on how likely customers are to recommend OCBC to their peers
- Our internal Exceed expectation-Below expectation (E-B) Score is tracked with higher frequency and measures the level of satisfaction across the various touchpoints and interactions customers have with our staff and the Bank

Scaling customer centricity across the organisation – The Great Experience Design bootcamp
- A tailored Human-Centred Design programme for employees across divisions was launched in 2018 to teach ways to be more customer-centric in everything we do

Our Performance

Ranked

1st

in customer satisfaction ranking for the second year in a row in J.D. Power 2018 Singapore Retail Banking Satisfaction Study

4

customer compliments received for every customer complaint (OCBC Group)

100%

of customer complaints tracked until successful closure; 88% resolved within three working days of receiving the complaint (Singapore)

100%

of the 45 personal data-related complaints closed successfully; all eight valid complaints filed with the PDPC resolved satisfactorily without incurring any penalty (Singapore)

Our Targets

To achieve internal E-B score of 68% for our Singapore Retail Banking in 2019

Awards

Highest number of winners across all financial institutions for the fourth consecutive year
The Association of Banks in Singapore (ABS)
Excellent Service Award (EXSA)
OCBC Bank

Excellence in Customer Centricity
Retail Banker International
Asia Trail Blazer Awards 2018
OCBC Bank

Financial Inclusion

Why this is Material to Us

Financial inclusion means providing innovative, accessible and the right financial products and services that meet the needs of society. This is in line with our fair dealing principles and the purpose of helping individuals and businesses across communities achieve their aspirations.

Our Management Approach

We provide products and services that help our customers achieve their ambitions, as well as make day-to-day living better and easier.

Digitalisation of our products and processes has enabled OCBC to provide new solutions and extend our reach beyond physical branches, opening new market segments which may have previously been underserved.

Selected Policies, Procedures and Programmes

Promoting financial and digital literacy through different life stages

- Child Development Accounts for children and young families
- FRANK by OCBC for youths between 16 and 29
- Silver Years by OCBC Life Goals for our pre-retirees and retirees

Supporting full spectrum of businesses in their growth journey

- Business First Loan provides access to funding for businesses as early as six months from incorporation
- Innovative financial services to support the growth and digitalisation of start-ups and small businesses
- Comprehensive range of products and services for established enterprises and large corporates that supports sustainable growth

Our Performance

No. 1

provider of Child Development Accounts in Singapore with 80% market share

Disbursed close to

S$1b

in government-assisted loans to SMEs in Singapore, Malaysia and Hong Kong over the last three years

+11%

FRANK by OCBC accounts among youths aged 16–29

Our Targets

- Maintain No. 1 market share of Child Development Accounts in Singapore in 2019
- Grow government-assisted loans to SMEs in Singapore, Malaysia and Hong Kong by 25%, targeting S$500m new loans in 2019.

Case Studies

Supporting Financial and Digital Literacy

In Singapore, we support the Singapore Digital (SG:D) national movement to promote digital literacy. Mr Lee Hsien Loong, the Prime Minister of Singapore (pictured, right), and Mr Dennis Tan, OCBC Bank Head of Consumer Financial Services Singapore, discussed OCBC's efforts to guide the elderly in their digitalisation journey at the Info-communications Media Development Authority's (IMDA) ePayment Learning Journey event in May 2018.

Bank OCBC NISP continues to support Indonesia's National Strategy for Financial Inclusion through initiatives aimed at both our customers and the general public.

In Hong Kong, OCBC staff volunteered to teach students practical tips on money management.

Guiding Seniors in Digital Transformation

Digital ambassadors have been deployed at our branches to help guide elderly customers in using our latest ATMs and digital service kiosks.

Our digital ambassador helps a senior customer gain hands-on experience in using our digital services.

Putting Customers First

Digitalisation

Why this is Material to Us
Technology is now a central part of our everyday lives. Customer behaviours, needs and expectations have changed. Digital-enabled business operations are creating new opportunities. As such, digitalisation is mission-critical for OCBC. We aim to provide innovative and seamless solutions that meet customer needs across all stages of their digitalisation journey as part of our Brand Promise.

Our Management Approach
Digital transformation has been a longstanding approach at OCBC. We are focused on transforming ourselves and creating the Bank of the Future.

Our digital strategy cuts across every aspect of the Bank. We are focused on innovation and collaboration as key tenets of our approach.

Carpe Diem
OCBC in-house Innovation Lab, Carpe Diem in Tampines Centre One, is a dedicated space for employees to build and test prototypes and develop unconventional solutions for the Bank by applying new technologies.

Since its launch in 2013, more than 6,000 ideas have been incubated with several of them eventually transformed into successes. These include the HR In Your Pocket app and an Application Programming Interface (API) platform which enabled transactional APIs and built partnerships with government agencies such as the Central Provident Fund (CPF) and Ministry of Education (MOE) in Singapore.

The Open Vault at OCBC
The Open Vault at OCBC (TOV) was launched in 2016 with the aim of opening the Bank to external innovative ideas and to co-create solutions with ecosystem participants from outside the Bank. Since then, TOV has evaluated over 1,500 fintechs globally and partnered more than 25 fintech start-ups to pilot new solutions in wealth management, virtual customer assistance, transaction monitoring, business banking, consumer marketing and life insurance.

In 2018, a dedicated Artificial Intelligence (AI) unit called AI Lab, was set up to strategically develop in-house AI capabilities with an initial investment of S$10 million over three years.

Selected Policies, Procedures and Programmes

Deepening customer intimacy to drive loyalty
- Our mobile and digital solutions provide greater access to products and services that create a seamless customer experience
- Leverage on data analytics and AI to provide an unparalleled level of customer intimacy through creating highly-personalised interactions to drive loyalty

New engines of growth
- **Unlocking core market segments**
  OCBC is the first bank in Southeast Asia to launch a robo-investment service. It is an automated, algorithm-based digital investment platform that helps customers to manage their investments without having to interact with a human financial consultant. Targeted at young and tech-savvy retail investors, OCBC RoboInvest makes investing simple in today's digitised world

- **Generating partner-led growth**
  OCBC OneAdvisor Home brings together all home expertise onto one digital platform by integrating property search, affordability assessment and home-related advisory to help customers make holistic decisions. The ecosystem of partnerships includes property listings portals, interior designers, property agents and home insurance

Scalability
- **Efficient Frontier**
  Stay at the efficient frontier enabled by new technologies such as AI, that enables the Bank to provide excellent service to a wide base of customers
- **Scalable and modular platforms**
  Ensure our digital products, services and processes are scalable and shareable across platforms and customer channels, to provide a consistent customer experience

Digital inclusiveness
- **All-encompassing approach**
  Create an open, agile and innovative culture to ensure that no one is left behind in our transformation journey
- **Customer engagement**
  Please visit Customer Experience section on page 62
- **Staff empowerment**
  Please visit Talent Management and Retention section on page 76

New frontiers of risk management enabled by AI and big data
- Improve risk management through the use of fintech solutions. OCBC is one of the first Singapore banks to tap on AI and machine learning to enhance the detection of suspicious transactions

Our approach to digitalisation is led by our Group CEO, who is supported by the dedicated digital teams in Singapore as well as our core markets. Each business unit is responsible for the execution of its part in the strategy.

For more information, please visit Redefining Customer Engagement through Digital Transformation on page 20.

Case Study

Driving Innovation through AI
The Open Vault at OCBC (TOV) shortlisted eight fintech companies to participate in the 2018 TOV Innovation Challenge, its annual showcase of innovative technological solutions. Amongst other experiments, OCBC Bank piloted Artificial Intelligence (AI) solutions from two of the companies – Scila, from Sweden, and Cardabel, from France – to bolster its audit processes for trading activities.

OCBC Bank's Group CEO, Mr Samuel Tsien (third from left); Head of Group Audit, Ms Goh Chin Yee (far left); and Head of E-Business, Business Transformation and Fintech and Innovation Group, Mr Pranav Seth (second from left), discuss an AI solution with Mr Lionel Simon, CEO of fintech company Cardabel, at the 2018 TOV Innovation Challenge.

In 2018, OCBC became the first bank in Singapore to establish an in-house AI unit, called AI Lab. With an initial investment of S$10 million over three years, a pioneering team will drive the adoption of AI and machine learning across banking services such as wealth advisory and loans financing.

Mr Ken Wong (fourth from left), Head of AI Lab, leads his team of data scientists in a discussion.

OCBC's in-house Innovation Lab, named Carpe Diem, is a dedicated space for employees to build and test unconventional solutions. Among the ideas incubated here was our HR In Your Pocket app, which has an AI-powered chatbot that answers 90% of our employees' queries. The app has resulted in estimated savings of 13 man-hours per day.

OCBC's Innovation Lab is a dedicated space for employees to test unconventional solutions.

Notes:
(1) Digital customers are customers who have used Internet/mobile banking at least once in the last three months.
(2) Financial transactions refer to fund transfers and payments which are non-cash in nature.

Our Performance

Digital customers [1] in Singapore

49%	62%
Retail (from 36% in 2014)	**Business** (from 36% in 2014)

89%
of financial transactions [2] conducted digitally

71%
of digital customers bank on mobile

Our Targets

Increase the number of digital customers in Singapore:
- Consumers: to 55% by 2019 and to 60% by 2023
- SMEs: to 65% by 2019 and to 70% by 2023

Awards

The Best Innovation Centre by Financial Institution
The Asian Banker 2018
OCBC Bank

The Regulatory Technology Implementation of the Year
The Asian Banker 2018
OCBC Bank

Asia's Most Vigilant Bank Excellence in Governance, Risk & Compliance
IDC Financial Insights 2018
OCBC Bank

Small Business Bank of the Year
The Asian Banker 2018
OCBC Bank

The Best Mobile Initiative, Application or Programme
The Asian Banker 2018
OCBC Bank-OCBC Business Mobile Banking

Acting with Integrity

Strong Governance

Why this is Material to Us

Strong governance is essential to building and safeguarding the trust that our stakeholders place in us. It is also critical for effective decision making and oversight to ensure our long-term success.

Our Management Approach

We are committed to the highest standards of corporate governance and ethical conduct. This means complying with all applicable laws and regulations and also establishing best practices consistently across the OCBC Group.

The expected standards of behaviour for all employees are set out in the OCBC Code of Conduct and our Group policies. These are implemented through a rigorous approach to regular staff communication, engagement, training and assessment.

OCBC has a zero tolerance approach to any form of bribery and corruption, which is stated in our Code of Conduct. Our anti-bribery and anti-corruption policies have been communicated globally to all our employees.

OCBC adopts a zero-tolerance policy to fraud. Staff are informed that the Bank will investigate and report all internal fraud to the appropriate authorities. In 2013, an employee was suspected of conducting unauthorised transactions which led the Bank to promptly conduct an internal investigation, and thereafter report and cooperate with the authorities. The employee was convicted of the crime in December 2018.

We regularly review the effectiveness of our policies and practices, ensuring that they are relevant and implemented successfully across our business, with new ones added where warranted.

For further information on our approach to strong governance, please visit Corporate Governance on page 82.

Selected Policies, Procedures and Programmes

Board Ethics and Conduct Committee
Established by the Board of Directors, the committee provides oversight of policies, programmes and guidelines that inculcate and sustain a strong culture of responsible banking and fair dealing. That culture, which anchors the purpose, values and reputation of OCBC Bank, especially the emphasis on forging lasting relationships with customers and other stakeholders, is founded on trust that is established over time. OCBC Bank makes it a top priority to live up to and, indeed, surpass the ethical standards it is expected to meet.

Risk Culture Framework
Embeds and reinforces a systematic approach to managing risk at all levels of the Group to ensure awareness, competency and accountability of practices. The framework is underpinned by a rigorous approach to assessment and monitoring

Management Control Oversight Rating (MCOR)
Measures risk awareness and control consciousness of Management in discharging risks and controls supervisory/oversight responsibilities. The MCOR is derived based on the score of a set of factors including awareness, aptitude and attitude

Employee Conduct Triggers (ECT)
Supports the Group Risk Culture Programme. It comprises a set of indicators that monitor employee conduct which was developed as an integral supplement to the existing suite of human resource management tools. In 2018, we introduced the ECT model for the first time and assessed all employees in Singapore against it. Moving forward, the Group will progressively extend the programme to subsidiaries and continue to include more bank-wide and business-specific indicators

Material Risk Takers (MRT) Framework
Employees identified as having a material influence on the long-term performance of the Group have appropriate incentives set within the remuneration policy to ensure prudent behaviour

Positive Reinforcement
Employees are recognised for their effort in preventing fraud and helping customers avoid scams, and exhibiting the right behaviours that exemplifies the Bank's Purpose and values

Whistleblowing Programme
Provides a transparent channel for employees and the public to raise concerns. The channels for reporting include:
Website: www.ocbcgroup.ethicspoint.com
Hotline: 800-110-1967

Our Performance

100%
completion of mandatory staff training (fraud awareness, whistle-blowing, anti-bribery, anti-corruption) (1)

Employee Conduct Triggers (ECT) reveals
98%
of employees in Singapore exhibit the right behaviours in accordance with the indicators tracked

Rated
A
by Morgan Stanley Capital International (MSCI) ESG Research according to our performance on ESG risks and opportunities relative to industry peers

Our Targets

- Maintain 100% completion rates for mandatory staff training in 2019
- Roll out Employee Conduct Triggers model to subsidiaries in 2019

Note:
(1) The training performance includes employees in Singapore, China and other international branches.

Fair Dealing

Why this is Material to Us
Fair dealing has been the basis of our business over the years and we will continue to forge enduring relationships with our customers as we grow our business.

Our Management Approach
We are committed to dealing fairly with our customers by:

- Continually strengthening their confidence in our conduct, being anchored in integrity, which is an integral part of our DNA
- Providing them with the right products and services in line with their needs and risk profiles
- Placing competent employees on the front line that can provide quality advice and appropriate recommendations
- Providing clear, relevant and timely information in plain language to help them make informed decisions
- Handling their complaints in an independent, effective and prompt manner

Selected Policies, Procedures and Programmes

Fair Dealing Committee and Framework
Maintains oversight of the strategic initiatives, organisational policies and practices related to the delivery of Fair Dealing outcomes

Product Suitability Committee, Policy and Framework
Governs the approval of new investment products, ensuring that they are offered appropriately to the Bank's target customer segments

Product Advertisement Policy
Aligns with the Monetary Authority of Singapore's latest guidelines on product advertising introduced in 2018

One-Page Risk Disclosures
Highlights the key risks associated with different investment products to help customers make informed decisions

Our Performance

100%
completion of mandatory Fair Dealing e-learning[1] module

100%
of the few incidents concerning product and service information and labelling resolved satisfactorily

100%
attendance in product suitability training and assessment for Product Managers

Our Targets

- Maintain 100% completion of mandatory Fair Dealing training in 2019
- Achieve zero non-compliance pertaining to Fair Dealing requirements in 2019

Note:
[1] The Fair Dealing training performance includes employees in Singapore and Malaysia.

Case Study: Meeting Our Customers' Needs

Fair Dealing Committee (FDC)
No adverse issues encountered in FDC's quarterly reviews of the Bank and its subsidiaries' Fair Dealing performance in 2018.

Singapore Product Suitability Committee (SPSC)
Total of 37 new investment products approved by the committee in 2018.

Acting with Integrity

Responsible and Sustainable Financing

Why this is Material to Us

We recognise that we have an important role as a financial institution to take action on climate change and promote sustainable development. Fundamental to this is ensuring that we take a responsible approach to financing and provide financing solutions that contribute to the sustainable development of society.

Our Management Approach

At OCBC, responsible and sustainable financing are two sides of the same coin:

Responsible Financing

Integrating ESG considerations into our credit and risk evaluation process for our lending practices and capital markets activities.

Sustainable Financing

Developing a comprehensive and innovative range of solutions to respond to climate change and promote sustainable development.

We embed a responsible and sustainable approach into our processes and DNA, driving decision making by:

- Establishing clear and consistent frameworks and policies across the Group
- Building awareness and competencies on ESG issues through training
- Establishing taskforces and working groups to advance our approach in key areas
- Establishing dedicated resources to support the implementation of Responsible Financing Policies
- Promoting collaboration across the organisation to identify and develop Sustainable Financing related opportunities and solutions

Our approach references the Equator Principles, the Association of Banks in Singapore (ABS) Guidelines on Responsible Financing and other relevant international standards.

We actively engage with external stakeholders on sustainability-related matters, as we believe that sustainable development can only be accomplished by combined efforts. We work with Asia Sustainable Finance Initiative (ASFI) to support the shift of Asia's financial flows towards sustainable economic, social and environmental outcomes.

Please visit our website for a detailed description of our approach and practices.

Selected Policies, Procedures and Programmes

Responsible Financing

- **ESG Risk Assessment Framework**

  Integrates ESG considerations in our lending and capital markets activities

  Risk assessments by our customer-facing relationship managers → Review of risk assessments by our credit approving officers → Assurance and compliance by Group Audit

  Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group for review and clearance

- **Exclusion Lists**

  Define the types of projects that OCBC will not finance irrespective of region, industry sector or client

- **Sector Policies and Climate Change Statement**

  Developed policies for following sectors, under which prohibitions and/or mandatory compliance requirements have been issued:

  Agriculture and Forestry: Expect our clients to manage haze and fire risks by complying with the requirements of the ABS Haze Diagnostic Kit

  Energy: Stopped financing new coal-fired power plant projects that use sub-critical technology or lignite (brown coal) as the main fuel source

  Metals and Mining: Established prohibitions for projects of lignite mines under our mining and metal sector policy

  In line with SDG 13 on taking urgent action to combat climate change, we issued our climate change statement and are committed to working towards a low-carbon economy.

Sustainable Financing

We aim to be a leader in sustainable finance, by developing a comprehensive and innovative range of solutions targeted at promoting sustainable development in key focus industries and ultimately supporting the achievement of our focus SDGs

Financing Solutions	Project Finance	Green Loans and Green Bonds	Sustainability-Linked Loans	Green Capital Instruments	
Focus Industries	Renewable Energy	Green Buildings	Water Management	Clean Transportation	Pollution Control
Focus SDGs	3 Good Health and Well-Being	7 Affordable and Clean Energy	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	13 Climate Action

Case Studies

Pioneering Green Finance in Indonesia
In July 2018, we worked with the International Finance Corporation (IFC), which extended IDR 2 trillion (S$202.36 million) to Bank OCBC NISP Indonesia for green financing purposes.

"This is a major milestone for the Indonesian banking sector as it's expected to catalyse the development of the green bond market in Indonesia. In a country where green financing is relatively low, this first-ever green bond by a commercial bank marks the first step in unlocking the potential of the green bond market in Indonesia to spur new financing for climate-smart projects. The IFC is in discussions with other players and is keen to provide investment and advisory support to help develop green financing products in the country."

— **Mr Philippe Le Houérou, IFC Chief Executive**

The signing ceremony on 31 July 2018 was attended by (from left) Mr Pramukti Surjaudaja, President Commissioner of Bank OCBC NISP; Mr Philippe Le Houérou, Chief Executive of IFC; Ms Parwati Surjaudaja, President Director of Bank OCBC NISP, and Mr Vivek Pathak, Regional Director for East Asia and the Pacific of IFC.

Partnering with Our Customers on Their Sustainability Journey
In June 2018, OCBC finalised a deal with Wilmar International Limited to peg interest rates for a US$200 million (S$269.81 million) loan to its sustainability performance, assessed annually. The deal was the largest sustainability-linked bilateral loan by a single Singapore bank at the point of announcement.

"We are pleased to collaborate with a major relationship bank, OCBC, to link our sustainability improvements with our corporate financing activities. Sustainability is a top priority at Wilmar and we are pleased to be able to demonstrate that responsible business practices will lead to sustainable growth and lower financing costs."

— **Mr Ho Kiam Kong, Chief Financial Officer of Wilmar International Limited**

wilmar

Our Performance

1,896
staff have been trained in responsible financing since 2017

Developed
4
sectoral policies for sectors identified as having elevated risks by ABS (agriculture, forestry, mining & metals and energy from fossil fuels)

4
dedicated Environmental, Social and Governance (ESG) specialists have been appointed to cover both business operations and risk management with a view to expanding the team in the near future

Integrated the ESG Risk Assessment Framework into lending processes across the Group

Our Targets

- Develop policies for the remaining sectors identified as having elevated risks (chemicals, defence, waste management and infrastructure) by 2019
- Reduce new financing of coal-fired power plants and double the Sustainable Financing portfolio by 2025

Awards

Best Green Bond Award
FinanceAsia China 2018
OCBC Bank

Acting with Integrity

Combating Financial Crimes and Cyber Threats

Why this is Material to Us

The prevention of fraud, money laundering and the financing of terrorism is of critical importance across all the markets in which we operate. Cyber threats, and their link to cyber fraud and other crimes, have risen in volume and intensity globally, alongside data protection and data privacy concerns. This has the potential to severely disrupt banking services and result in large financial losses. Ensuring the security and resiliency of our systems is crucial to upholding trust and our licence to operate.

Our Management Approach

Protecting our customers has always been our priority. We adopt a holistic approach to risk management through ensuring all our products and services have security built in by design to protect customers' information and money, while still providing a frictionless banking experience.

We manage the risks relating to fraud, money laundering and financing of terrorism, cybersecurity and data protection across three key areas: physical assets, people and information.

We have in place a comprehensive framework of policies and practices, realised through active corporate risk governance and an extensive programme focusing on cyber defence capabilities, awareness and testing, incident response and crisis management, as well as insurance protection.

Senior management is involved in decision making on strategies to prevent, detect and respond to the evolving cyber threat landscape.

To further enhance our cyber resilience through external collaborations, we also actively engage in cyber threat information sharing with industry players via the Association of Banks in Singapore Standing Committee on Cyber Security (ABS SCCS) and the Financial Services Information Sharing and Analysis Centre (FS-ISAC), comprising members such as peer banks and the regulator.

For further information on our approach to Risk Management, please see page 103.

Selected Policies, Procedures and Programmes

Fraud

- Deployed a robust set of security and authentication measures across our Internet and mobile banking platforms to prevent fraud
- Provided education and advice to our customers and the community through our branch network, social media, radio and print media
- Invested S$12 million over the last three years to enhance detection and monitoring systems, and improved fraud recovery procedures and staff awareness of fraud and scams

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

- Member of the Anti-Money Laundering/Countering the Financing of Terrorism Industry Partnership (ACIP)
- One of the first Singapore banks to tap on artificial intelligence (AI) and machine learning to enhance the detection of suspicious activity
- Collaborated with fintech start-up companies to explore AI in the detection of anti-money laundering patterns missed by humans

Cyber Resilience

- Adopt a "defence-in-depth" approach in instituting multi-layered controls and processes
- Conduct regular risk assessments, security reviews and audits to validate the effectiveness of safeguards established, with significant issues promptly remediated
- Manage and monitor our networks for cyber threats through a 24-hour Cybersecurity Operations Centre
- Our strategy comprises:

  Cyber Risk & Resilience Policy
  Incorporates regulatory requirements and aligns with international industry guidance on cyber risk and resilience. Roles and responsibilities across the three independent lines of defence are clearly defined

  Cyber Defence Programme
  Capabilities to sustain and enhance defences, and new ones continuously developed and deployed to address evolving and advanced threats. Incident response of people and processes are tested and improved to be more effective against cyber attacks

  Cyber Risk Awareness & Social Engineering Testing Programme
  Educates and tests all staff on cyber threats to continuously improve staff vigilance and cyber hygiene within the organisation. Educates customers through online channels, and outsourced services providers through cyber risk awareness sessions

  Business Continuity & Crisis Management Programme
  Ensures minimal disruption of essential banking services during times of crisis, including cyber attacks. Exercises are conducted regularly to improve responses to disruptions due to cyber attacks

  Cyber & Network Security Insurance
  Protects the Group using relevant insurance to cover damages due to a variety of cyber-attack situations

Case Studies

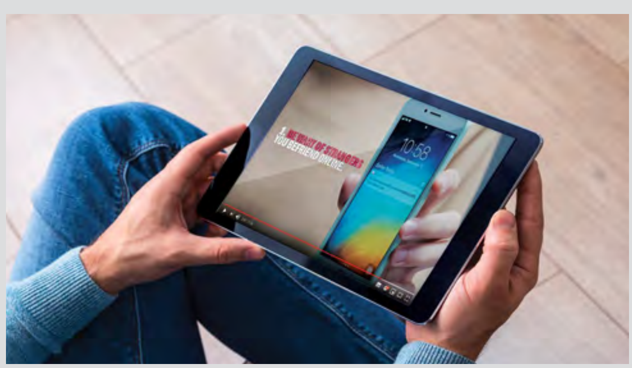
Preventing Fraud and Customer Scams
On several occasions, the timely intervention of our staff prevented customers from falling prey to scams. We received six Certificates of Appreciation for such actions from the Singapore Police Force in 2018.


Ms Sim Chin Ngui (centre), a customer service manager at OCBC Bank's Toa Payoh branch, receiving a certificate of appreciation from the Singapore Police Force.

Recognition for our Efforts
In 2018, OCBC Group Fraud Risk Management was presented with a plaque by the Singapore Police Force in recognition of their overall crime prevention efforts and successful delivery of important crime prevention messages to the public.

OCBC Group Fraud Risk Management presented with a plaque of appreciation from the Singapore Police Force.

Fraud Awareness Campaign
We launched a multi-channel campaign across print, radio, digital and social media channels in Singapore to create awareness of scams and educate members of the public on how scammers usually work. We produced three videos that were viewed more than 100,000 times on YouTube and social media within the first month of the launch. The Singapore Police Force and National Crime Prevention Council commended OCBC for our efforts to drive public awareness.


OCBC produced three videos educating the public about love scams, business email impersonation scams and police impersonation scams.

Our Performance

Prevented and recovered approximately
S$8.3m
for our customers in 2018

100%
completion of mandatory biennial AML and CFT training and assessment [1]

100%
of employees tested by Social Engineering Test Programme [2]

100%
completion of Annual Cyber & Information Risk Awareness Online Training & Assessment course [1]

Active member of the Alliance of Public PrivAte Cybercrime STakeholders (APPACT), which was set up by the Cybercrime Command of the Singapore Police Force

Our Targets

- Maintain 100% completion of mandatory biennial AML and CFT training and assessment in 2019
- Maintain 100% of employees tested by Social Engineering Test Programme in 2019
- Maintain 100% completion of Annual Cyber & Information Risk Awareness Online Training & Assessment course in 2019

Notes:
[1] The training performance includes employees in Singapore, China and other international branches.
[2] Testing includes employees in Singapore, Malaysia and China (including Hong Kong).

Valuing our People

Inclusive Workforce

Why this is Material to Us

Having an inclusive workforce which represents our diverse customer groups provides the organisation with different perspectives, skills and talents. We aim to cultivate a culture where all employees are treated fairly with respect and where they can bring their whole selves to work. We believe that by creating an inclusive culture, employees will be engaged and inspired to contribute fully. This facilitates growth for our people and for the business.

Our Management Approach

We are committed to creating a work environment that is inclusive, embraces differences and recognises the value and contributions of individuals. We believe in having a diverse workforce at all levels of management.

As always, we tolerate no harassment of any kind. Our Code of Conduct has guidelines for our employees concerning anti-bullying and harassment. We have a robust grievance procedure in place for employees to share their concerns without any fear of retaliation.

Furthermore, it is crucial for us to instil a culture that welcomes different views. We believe this is a central ingredient to enhancing productivity and creativity, which will lead to greater employee performance. The OCBC Employer Brand articulates our programmes and policies, which are anchored on three Employer Brand pillars – Caring, Progressive and Delivering a Difference.

We maintain our commitment to be supportive of working parents, who often have to juggle demands both at home and at work. For example, our employees are given opportunities to adopt flexible work arrangements that allow them to balance time with family while continuing a career with OCBC. We provide childcare centres with full facilities at two of our sites with a third at One Marina Boulevard in Singapore.

Our approach to creating an inclusive workplace is reviewed on a regular basis and we will continue to enhance our policies and programmes to attract, engage, develop and retain a diverse employee group.

Selected Policies, Procedures and Programmes

In today's constantly evolving work environment, we recognise that it is essential for organisations and employees to adapt in order to stay relevant. It is vital to be a learning organisation that encourages employees to step up and share.

OCBC Future Smart Programme

- Our largest-scale and most ambitious digital transformation initiative: A S$20 million investment in our employees
- Promotes learning agility, as well as global and sustainability perspectives
- Anticipates future business needs that will impact our people

LifeRefresh@OCBC Programme

- Since 2016, over 300 employees have participated in this lifelong learning programme
- In 2018, the programme helped older employees be digitally-savvy and try out creating websites, participating in marketplaces and going cashless via e-payments

Our Targets

- Develop a diverse, inclusive and positive working environment for all employees regardless of gender, age, ethnicity or background so that employees can have meaningful careers and continue to be engaged with the Bank
- Maintain a balanced gender mix in terms of headcount in 2019
- Grow the pool of women in leadership positions from 38% to 42% by 2025

Awards

Fair and Progressive Employment Practices
Tripartite Alliance Awards 2018
OCBC Bank

Work-Life Excellence
Tripartite Alliance Awards 2018
OCBC Bank

Excellence in Women Empowerment Strategy (SG) – Gold Award
HR Excellence Awards 2018
OCBC Bank

Excellence in HR Innovation - Bronze Award
HR Excellence Awards 2018
OCBC Bank

Case Studies

Recognising our Long-Serving Staff

We honoured more than 800 employees with Long Service Awards in 2018. Among them were 219 who have spent 20 years or more growing in their careers with OCBC and whose contributions were celebrated at a ceremony on 20 November 2018.

Among the staff recognised was Ms Lim Chay Yoon (pictured, right), a senior member of the Business Banking Commercial Service Centre, who has served the Bank for 43 years and was our longest-tenured Long Service Award recipient this year.

Mentorship Opportunities for Female Employees

In July 2018, we launched the MentorMe programme for junior female employees to be mentored by senior leaders within the Bank. This nine-month mentorship programme provides a network for women to support one another to achieve personal and professional success.

A networking session was organised for mentors and mentees in the MentorMe programme before participants were matched.

Celebrating International Women's Day

In conjunction with International Women's Day 2018, we organised a series of panels in Singapore titled "Different Walks of Life" on 13 March and 20 March 2018. Singapore Paralympic swimmer Theresa Goh, along with local artistes, business leaders and OCBC scholars, shared their life stories to celebrate what women are capable of.

Singapore Paralympian Theresa Goh (front row, fourth from left), actress-host Belinda Lee (back row, fourth from left), and OCBC employees who are trailblazers in their work, Janet Ang and Veronica Lai (back row, first and third from left, respectively), shared their inspiring stories at events at OCBC Campus celebrating International Women's Day.

Valuing our People

Inclusive Workforce

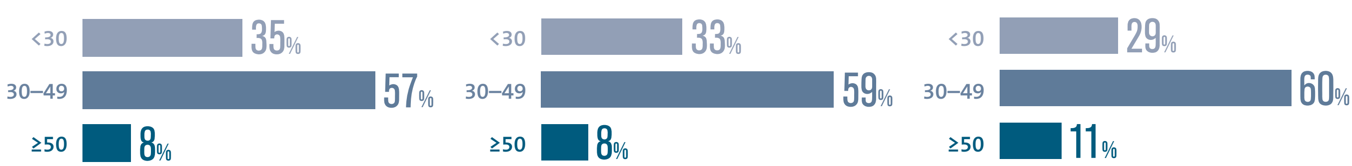
Our Performance

Total Workforce [(1)]

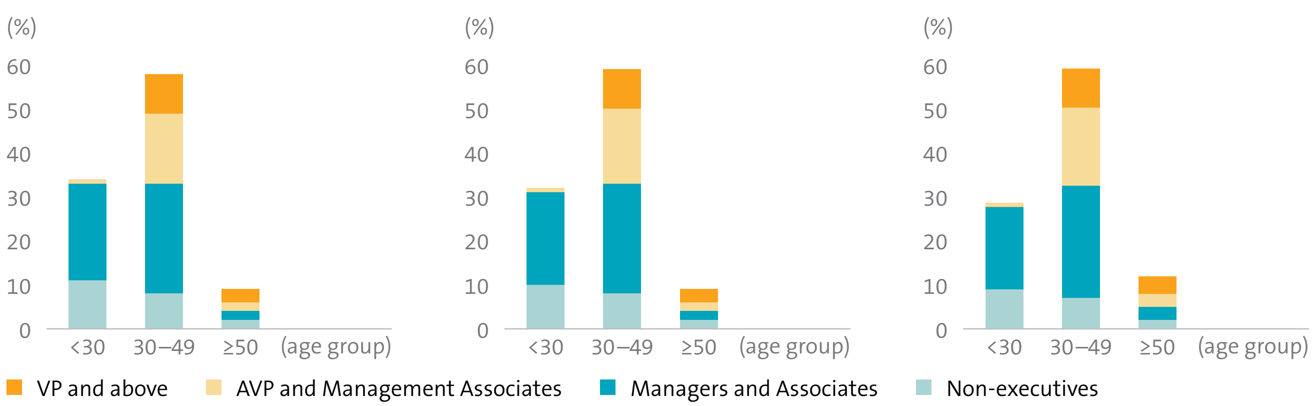
2016	2017	**2018**
29,792	29,174	**29,706**

Workforce (Permanent and Contract Staff) [(2)]

Age Group (years old)

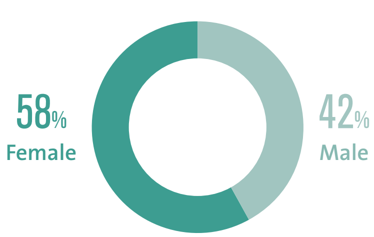


Employee Category by Age Group (Permanent and Contract Staff)



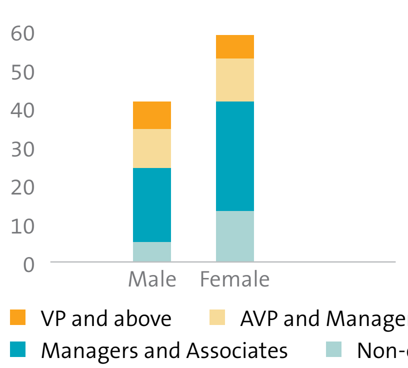
Gender [(3)]

2018



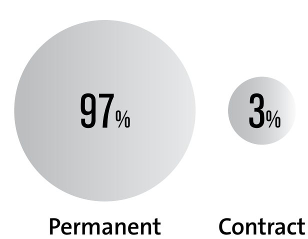
Employee Category by Gender (Permanent and Contract Staff)

2018



Employment Nature

2018



Notes:

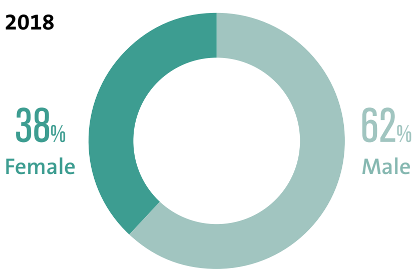
(1) To be consistent with our Annual Report, we have included the employees of Great Eastern Holdings and Lion Global Investors.

(2) The statistics exclude Great Eastern Holdings and Lion Global Investors. In 2018, we have extended the scope by including Hong Kong and Macau.

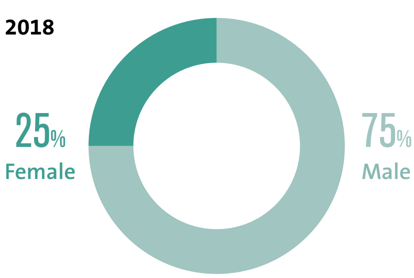
(3) The gender mix was at 59% (Female) and 41% (Male) consistently from 2015 to 2017.

Good Representation of Female Leaders

Leadership Positions



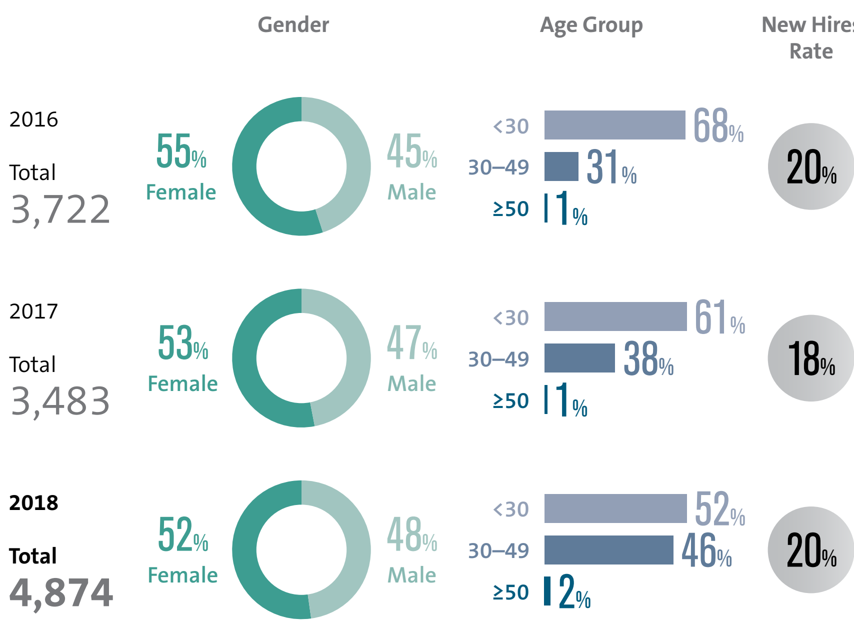
Senior Management Positions



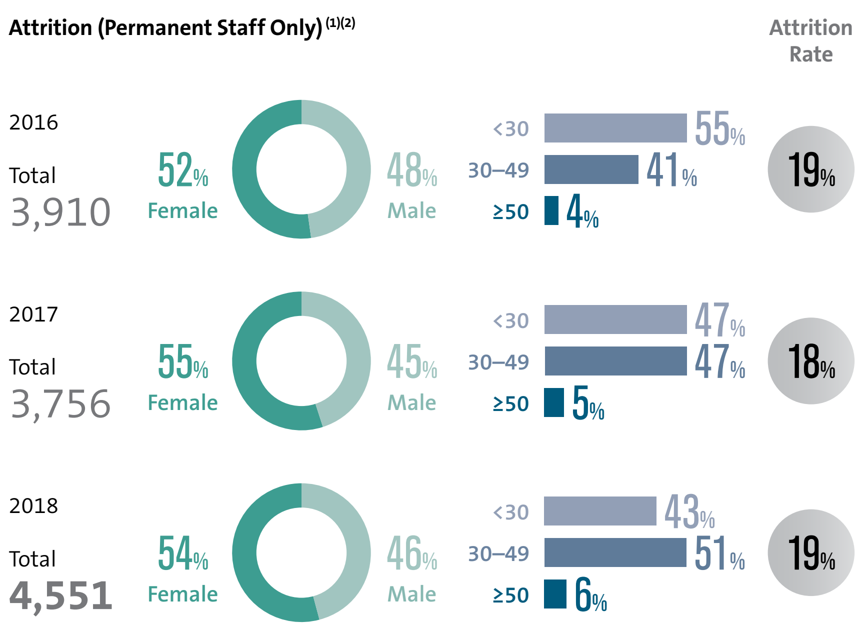
OCBC Group supports development of leaders and aims to create an equal opportunity working environment.

New Hires (Permanent Staff Only) [(1)(2)]

The new hires and attrition rates indicate the stability of our workforce within the organisation.



Attrition (Permanent Staff Only) [(1)(2)]



Notes:
(1) The statistics exclude Great Eastern Holdings and Lion Global Investors. In 2018, we have extended our scope by including Hong Kong and Macau.
(2) 2016 and 2017 data for new hires and attrition have been restated due to data refinements.

Valuing our People

Talent Management and Retention

Why this is Material to Us

Our employees are critical assets of the Bank. The continued success of our business pivots on a team of experienced and knowledgeable employees. As the needs of society evolve with the acceleration of technological advancement, it is imperative that we continue to invest in and support our employees in their development. This commitment is enshrined in People, one of our core values.

Our Management Approach

We aim to attract and retain the very best people. We offer a compelling work experience, which empowers employees to realise their full potential, take charge of their learning journey and supports work-life integration.

Selected Policies, Procedures and Programmes

OCBC Future Smart Programme
Invests S$20 million in developing the digital competencies of employees so they will thrive in the new digital economy

Campus on Cloud
A digital platform enabling multiple learning modalities such as online communities and gig assignments. It empowers employees to take control of their own learning and will facilitate a paperless workplace

Nurturing young talent to be game-changers in the banking industry — FRANKpreneurship
A 16-week internship for young individuals offering training and mentorship in entrepreneurship

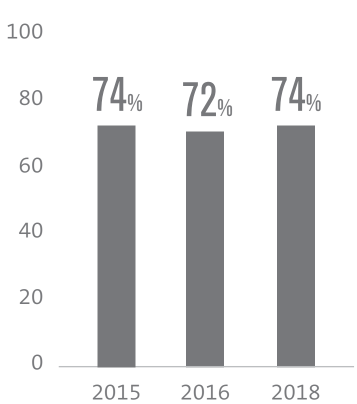
OCBC Graduate Talent Programme
Grooms the next generation of leaders through a 24-month structured programme with rotations and opportunity to work on real business projects with industry experts and build a regional network with graduate talents across the OCBC Group. It enables young leaders to accelerate their career path in the banking and finance industry

Executive Development Programme (EDP)
Designed in partnership with INSEAD Business School, it has developed over 300 leaders since 2007. This year, OCBC EDP went international as the participants learned how the global ecosystem, business innovation and digital transformation come together by visiting some overseas companies

For more Information on our approach to Developing Future-Smart Talent, please see page 40.

Our Performance

Employee Engagement Survey [1][2][3]



Notes:
(1) Effective from 2017, the organisation will conduct the survey on a biennial basis.
(2) The percentage score reflects the proportion of employees in the organisation who will speak positively about their work experience, be motivated to contribute more and stay with the organisation.
(3) The statistics reflect the engagement scores of OCBC Group employees including Great Eastern Holdings and Lion Global Investors.

Our Targets

- Maintain an average of at least five days of learning and development for employees in 2019
- Invest S$20 million to equip all employees with digital skills over the next three years from 2018
- Keep employee engagement score above 70% in the 2020 Employee Engagement Survey
- Ensure that all employees continue to have access to career development opportunities within the Bank through internal channels and programmes

Awards

Best Training, Learning & Development
Kaplan Professional Award 2018
OCBC Bank

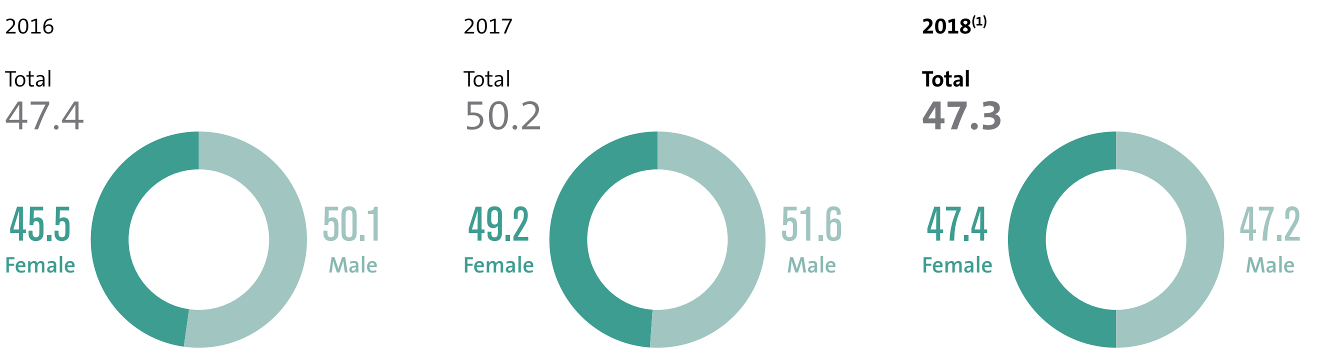
IBF Learning Partner Award (2018)
The Institute of Banking and Finance
OCBC Bank

Excellence in Learning and Development (Silver)
HR Excellence Awards 2018
OCBC Bank

Young HR Talent of the Year Award
HR Excellence Awards 2018
Elouise Chin

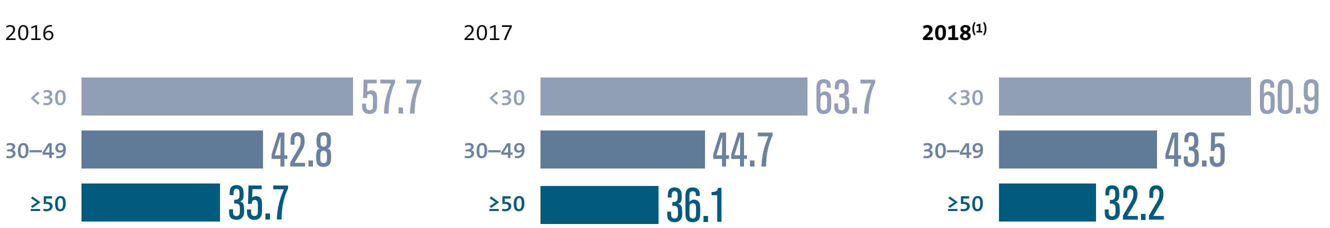
Our Performance

Average Training Hours by Gender



Average Training Hours by Employee Category

Average Training Hours by Age Group (years old)



Note:
[1] In 2018, the average training hours are derived based on a wider reporting scope by including staff from Hong Kong and Macau. The statistics exclude Great Eastern Holdings and Lion Global Investors.

Engaging Communities

Economic Contributions

Why this is Material to Us
As a bank, we play an important role in supporting the local economy where we operate, from the creation of jobs to the provision of financial services.

Our Management Approach
We undertake a disciplined pursuit of growth, supported by sustainable and responsible business practices to create value for our stakeholders over the long term.

Our Targets

Maintain above 85% of total spend on local vendors in 2019

Our Performance

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.

Economic Contributions [1]

	2018	2017	2016
Group Total Income	S$9.70b	S$9.53b [2]	S$8.49b
Group Income Tax	S$877m	S$803m	S$629m
Group Dividends	S$1.82b	S$1.55b	S$1.51b
Retained Earnings	S$23.44b	S$21.88b [2]	S$20.26b
Group Staff Compensation	S$2.61b	S$2.47b	S$2.35b
Group Number of Employees	29,706	29,174	29,792

Where possible, we procure from local suppliers as part of our commitment towards supporting the long-term development of local enterprises in the core markets of our operations – Singapore, Malaysia, Indonesia, China and Hong Kong. In 2018, our supply chain spending increased significantly as we have extended the reporting scope by including Indonesia.

Total Supply Chain Spending

	2018	2017	2016
Local Spending [3]	92%	92%	88%
Total Supply Chain Spending	S$1.88b	S$1.18b	S$1.25b
Total Vendors	10,302	9,380	9,873
Local Vendors	90%	90%	90%

Notes:
(1) To be consistent with our financial statements, we have included the performance of Great Eastern Holdings in this table.
(2) 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)).
(3) Local is defined as registered in same country.

Community Development

Why this is Material to Us

Giving back is an integral part of our corporate culture. We aim to contribute to healthy, growing and inclusive communities in all the markets where we operate. We believe doing so will not only support sustainable development, but also enable us to succeed alongside a thriving society.

Our Management Approach

At OCBC, we take a strategic approach to giving back to the community through various initiatives.

Through our flagship #OCBCCares Programme, we offer our charity partners meaningful financial and volunteer support.

We make a sustainable difference through targeted programmes across four themes:

Families
Supporting cohesive and healthy communities

Elderly
Meeting the health and social interaction needs of an ageing population

Environmental Sustainability
Promoting environmentally responsible behaviour and supporting conservation efforts

Persons with Special Needs
Encouraging societal inclusion and acceptance

Our #OCBCCares Committee oversees the selection of suitable charity partners to support and spearheads our strategy for engaging employees in volunteering.

Across our key markets, we take a localised approach to community development.

OCBC is the Premier Founding Partner of the Singapore Sports Hub. We partner the Gardens by the Bay (the OCBC skyway) and the Singapore National Parks Board in various environmental initiatives and programmes. For many years, OCBC has sponsored the largest cycling event – OCBC Cycle – in Singapore and Kuala Lumpur.

For more information, please visit Caring for Our Community and the Environment on page 44.

Our Performance

106,116
beneficiaries supported

9,910
volunteers

43,248
volunteering hours

S$1.8m
donated

947
activities organised across the Group

Planted
213 trees and shrubs
at Coney Island Park which can accumulate 13.6 tonnes of carbon over 10 years

This is the equivalent of approximately one year of household emissions for almost 88 persons in Singapore, based on the Singapore household emissions in 2014.

Our Targets

In 2019, we aim to progressively enhance our support for the underserved in the community, committing financial and volunteer support to improve lives

Case Study

Participating in Global Compact Network Singapore (GCNS) Young SDG Leader Awards

A team of students from Nanyang Polytechnic supported and mentored by OCBC staff were joint first runner-up in the CDL-GCNS Young SDG Leaders Awards 2018. This was part of our efforts to engage the next generation of leaders to foster responsible and sustainable business.

Being Environmentally Responsible

Environmental Footprint

Why this is Material to Us
A thriving society is dependent on a healthy environment. While our direct impact on the environment is relatively small, we actively seek to reduce our footprint and avoid unnecessary use or waste of resources. Optimising our operations and encouraging environmentally-friendly behaviours among staff and customers reduces cost and helps to protect the environment.

Our Management Approach
Our direct environmental management efforts are focused on three key areas:

Sustainable buildings and operations
Minimising our environmental footprint by proactively adopting energy- and water-saving measures, as well as promoting waste recycling in our buildings

Sustainable procurement
Prioritising the procurement of greener products and services during the screening and selection of suppliers, wherever feasible

Promoting environmentally-friendly behaviours
Raising awareness and enabling of environmentally-friendly behaviours among our employees, customers and the wider community

Case Study

United for Wildlife Financial Taskforce
OCBC is proud to be a signatory to the United for Wildlife Financial Taskforce, a coalition of financial institutions committed to playing our part in combating the illegal wildlife trade. We recognise that the illegal wildlife trade — among the five most lucrative global crimes — has a devastating impact on the dwindling populations of endangered wildlife left in the world. We are committed to ensuring that the Bank does not facilitate or tolerate financial flows derived from the illegal wildlife trade and the corruption associated with it, such as the sale of illegal wildlife products

OCBC is a member of the United for Wildlife Financial Taskforce, a leading global effort to combat illegal wildlife trade. We marked our participation at a declaration signing ceremony held in London on 10 October 2018, attended by the Duke of Cambridge, Prince William (seated, fourth from left).

Selected Policies, Procedures and Programmes

- Undertaking retrofitting for our buildings, such as upgrading of lifts and replacing air-conditioning systems to maximise efficiency and allow for energy savings
- Implementing state-of-the-art video and audio conferencing facilities across our operations to avoid unnecessary travel and allow for more flexible working arrangements among staff
- Raising awareness and educating staff on our #noplastics campaign. In 2018, we screened the BBC documentary, The Blue Planet, and held a talk on the impact of single-use plastics for over 300 staff, partners and senior management from across our businesses
- Encouraging our customers to switch to e-statements to save paper. As of December 2018, close to 50% of our eligible accounts were on e-statements
- Eliminating the use of plastic bottled water at all our branches in Singapore, preventing almost seven tonnes of plastic from entering the waste stream since 2017
- Providing financial support for initiatives that enhance environmental sustainability in Singapore through our #OCBCCares Fund for the Environment

For more information on #OCBCCares Fund for the Environment, please visit page 48.

Our Performance

Although OCBC owns and manages a number of non-banking properties, our banking operations represent the bulk of our environmental footprint, consumption and emissions.

This year, we have decided to report only on our banking operations. These also represent the greatest opportunity for us to track and drive initiatives and improvements.

Our Targets

- Reduce paper usage by 5% in 2019
- Maintain electricity consumption in a range of +/-5% of 2018's consumption in 2019

Energy and Emissions	2016 [1]	2017	2018 [2]
Electricity consumption (MWh)	70,860	79,188	**99,365**
Electricity usage intensity (kWh/ft^2)	20.7	23.1	**21.7**
Scope 2 emissions from purchased electricity (tonnes CO_2) [3][4]	36,101	38,835	**53,837**
Scope 2 emissions intensity (kgCO_2/ ft^2)	10.5	11.3	**11.8**

Water			
Total water consumption (m^3) [5]	382,272	333,947	**501,464**
Water consumption intensity (m^3/ft^2)	0.1	0.1	**0.1**

Paper			
Office paper consumption (tonnes) [6]	316	303	**258**

Notes:

(1) Energy, water consumption and GHG emissions data for 2016 and 2017 only included OCBC-occupied buildings, offices, branches and subsidiaries (BOS and OSPL) in Singapore, Malaysia and China.

(2) The 2018 data for energy, water consumption, GHG emissions also includes OCBC Wing Hang (China, Hong Kong and Macau).

(3) OCBC uses the operational control approach for determining GHG emissions.

(4) Emission factor source: Institute of Global Environment Strategies (IGES) -IGES Grid Emission Factors.

(5) Water consumption is from public utilities.

(6) Paper consumption data is only applicable for operations in Singapore.

Case Study

Youths in Support of #noplastics

To kick off Earth Day 2018, FRANK by OCBC teamed up with the founders of Our Singapore Reefs to raise awareness of the adverse effect of plastic waste on our coral reef ecosystem. During the half-day boat trip and dive session, over 68kg and 363 pieces of marine trash were removed from Lazarus Island's reefs.

The FRANK by OCBC team participated in a half-day boat trip and dive session to collect marine trash from coral reefs at Lazarus Island off Singapore.

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 the supplementary principles and guidelines prescribed under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers Incorporated in Singapore issued on 3 April 2013 and has early adopted all material aspects of the Code of Corporate Governance 2018 (the Code).

A summary of the disclosures made pursuant to the Bank's corporate governance arrangements are provided on pages 98 to 99 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 Bank as a whole while taking into account the interests of shareholders and 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.

Directors with conflicts of interests are required under the Bank's Constitution to recuse themselves from meetings and decisions involving issues of conflicts.

Board Approval
The Bank has documented internal guidelines for matters that require Board approval. These guidelines are communicated to management in writing. 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.

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 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.

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, Risk Management Committee and Ethics and Conduct 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 LLP, the external auditor, and none of them hold any financial interest in KPMG LLP.

  The Audit Committee performs the functions specified in the Companies Act, the Code, the Singapore Exchange

Securities Trading Limited (SGX-ST) Listing Manual, and the corporate governance regulations and guidelines issued by the Monetary Authority of Singapore (MAS).

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 10 on pages 93 to 96.

- **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 sets the overall risk management philosophy, approves risk management frameworks and major policies, as well as reviews the risk profile, risk tolerance level and risk strategy of the Bank for effective risk management. 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 the Risk Management Committee are also described under the section on Risk Management on pages 103 to 113.

- **Ethics and Conduct Committee**
  The Ethics and Conduct Committee was established in January 2019 to support the Board in overseeing ethics and conduct within the Bank. The Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Lee Tih Shih and Ms Christina Ong. All the Committee members are non-executive Directors.

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

  The Committee reviews and assesses the state and implementation of ethics and conduct programmes and initiatives, including matters relating to fair dealing with customers, to ensure proper behaviour within the Bank in respect of ethics and conduct. It also reviews policies and guidelines pertaining to ethics and conduct to ensure they are relevant and up to date, and reviews communications to stakeholders on ethics and conduct and their effectiveness with regard to the reputation of the Bank. The Committee supports a strong and responsible organisation culture firmly founded on the Bank's core values.

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	4	4	-	-
Chua Kim Chiu	5	5	-	-	5	5
Lai Teck Poh	5	5	-	-	5	5
Lee Tih Shih	5	5	4	4	-	-
Christina Ong	5	4	-	-	5	5
Quah Wee Ghee	5	5	4	4	-	-
Pramukti Surjaudaja	5	5	-	-	-	-
Tan Ngiap Joo	5	5	4	4	5	5
Samuel N. Tsien	5	5	4	4	-	-
Wee Joo Yeow	5	5	4	4	-	-

Name of Director	Nominating Committee			Remuneration Committee		Risk Management Committee		AGM
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Scheduled Meeting		
	Held [1]	Attended	Attended	Held [1]	Attended	Held [1]	Attended	
Ooi Sang Kuang	2	2	2	3	3	6	6	1
Chua Kim Chiu	-	-	-	-	-	6	6	1
Lai Teck Poh	2	2	2	-	-	6	6	1
Lee Tih Shih	2	2	2	-	-	-	-	1
Christina Ong	-	-	-	3	3	-	-	1
Quah Wee Ghee	-	-	-	3	3	-	-	1
Pramukti Surjaudaja	-	-	-	-	-	6	6	1
Tan Ngiap Joo	2	2	2	3	3	-	-	1
Samuel N. Tsien	-	-	-	-	-	6	6	1
Wee Joo Yeow	2	2	2	3	3	6	5	1

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

Directors' Attendance at Board and Board Committee Meetings in 2018

Directors attend and actively participate in Board and Board Committee meetings.

In 2018, the Board and its committees held a total of 27 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.

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 global trends and regulatory developments as well as 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. 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 2018 were on subjects that included:

- Key Digital Changes and Innovations to Prepare for Disruptions
- Data & Analytics: Age of Data
- Serving the Digital Customer and End-to-End Digitalisation
- Ecosystems
- Digital Operating & Organisation Models

- Technology Risk Updates
- Implications of MAS Notice on Cyber Hygiene
- Anti-Money Laundering/Countering the Financing of Terrorism

Principle 2: Board Composition and Guidance
The Bank has majority representation of independent Directors on its Board.

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), one of several law firms which provides legal services to and receives fees from the Bank. Her interest in A&G is however less than 5% and the fees paid by the Group does not form a significant portion of A&G's revenue. 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 reviews the size of Board and Board Committees annually and it considers the current number of Board and Board Committee members to be appropriate given the size of the Group and its business complexity. It also assesses the diversity of members' profiles and determines the collective skills required to discharge its responsibilities effectively. A Board Diversity Policy, setting out the approach to diversify the appointment of members and composition of the Board is published on the Bank's website. The policy embraces the diversity of skills, knowledge, experience including familiarity in the Bank's core markets, age, gender and length of service as well as merit and independence. Steps are taken to improve effectiveness where necessary.
It is assessed that the members of the Board as a group provide the appropriate balance and mix of skills, knowledge, experience, competencies and other aspects of diversity such as gender and age that foster constructive debate and ensure the effectiveness of the Board and its committees. Skills, knowledge and experience 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, background and age can be found on pages 24 to 27.

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.

The Board and senior executives meet as frequently as necessary to develop or refresh strategies for the Group.

Principle 3: Chairman and Chief Executive Officer
The Chairman and CEO are not related. 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.

The Board establishes a Nominating Committee to make recommendations to the Board on matters relating to board membership. The Committee reviews the independence of Directors at least annually in accordance with internal due diligence procedures and the Directors' declarations. It also reviews the succession plans for Directors, including the appointment and/or replacement of the Chairman and executive Director, and 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, Risk Management Committee and Ethics and Conduct 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 Annual General Meeting (AGM) and, if eligible, may then stand for re-election.

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

Directors are aware of their duties and obligations and the expectation to set aside adequate time for their oversight of matters relating to the Bank. They attend and actively participate in Board and Board Committee meetings. The number of such meetings and each director's attendances at such meetings are disclosed in the annual report. They must provide declarations of any changes in their other appointments and principal commitments, 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 to determine if a Director is able to and has been adequately carrying out his or her duties as a Director of the Bank. 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, working experience, and other directorships and principal commitmments/appointments are provided on pages 24 to 27 while information on their shareholdings in the Bank and its related corporations are provided in the Directors' Statement on pages 134 to 139.

Principle 5: Board Performance

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

An external party is engaged after every three years to facilitate the Board evaluation process and to provide the Board with an independent perspective of the Board's performance, including benchmarking against peer boards and industry best practices. In 2018, the Nominating Committee engaged Aon Hewitt to facilitate the board evaluation process. Aon Hewitt and its consultants are independent and not related to the Bank or its Directors.

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.

Remuneration Matters

Principle 6: 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 page 84. 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 or herself.

In its review of the Bank's remuneration practices, the Remuneration Committee can seek expert advice, if necessary. In 2018, the Bank used salary surveys conducted by external compensation consultants, McLagan (a business unit of Aon Hewitt) and Willis Towers Watson for the purpose of benchmarking employee salaries in Singapore and overseas. McLagan and Willis Towers Watson and their consultants are independent and are not related to the Bank or its subsidiaries or any of their directors. The Bank's compensation practices are also reviewed annually by McLagan against the Financial Stability Forum's principles and implementation standards for Sound Compensation Practices for significant financial institutions.

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 7: 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 for the newly established Ethics and Conduct Committee is similar to that of the Nominating Committee and Remuneration Committee.

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, Remuneration, and Ethics and Conduct 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, Remuneration, and Ethics and Conduct 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 2019.

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/she has served. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2019.

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, share awards and compensation in the event of early termination where service contracts are applicable. Performance bonus relate directly to the financial performance of the Group and the contributions of the executive Director. The guidelines on the granting of share awards 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 and deferred share awards for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. 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 2018.

In the Bank's continuous efforts to create sustainable value for stakeholders, relevant performance measures are set for each business unit. These objectives which include broad-based growth across its core markets, delivering sustained earnings momentum from core businesses, driving core competencies of disciplined risk management, diversified funding base and continued investments in technology and people, and ensuring sustainable business practices are also 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 the achievements of their own performance measures, and the demonstration of core values and competencies, 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. All awards of deferred shares or share options (granted in previous years) 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 financial and non-financial metrics like the Bank's performance, audit ratings, risk indicators and compliance issues, 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 each business unit, 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 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 which has confirmed for 2018 that the Bank had met the Financial Stability Forum 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 exceeding S$100,000, at least 40% of their variable performance bonuses are deferred in the form of shares. 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 2018 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 Bank has ceased granting share options under the OCBC Share Option Scheme 2001 (the Scheme) effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients.

  The cumulative total number of new ordinary shares issued by the Bank in respect of options granted under the Scheme has not exceeded 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 was determined by the Remuneration Committee to be the 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 granted is subject to legislation applicable on the date of grant. Based on current legislation, options granted to Group executives are exercisable for up to 10 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%

The options granted 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 2018, 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 exceeding S$100,000. 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 6,446,996 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 any new ordinary shares issued pursuant to the Scheme, cannot exceed 15% 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 5% instead of 15% as a matter of conservative practice.

Principle 8: Disclosure on Remuneration
The following disclosures should be read in conjunction with the remuneration policies, practices and share plans as described under Principles 6 and 7.

Directors' Remuneration in 2018

Bank

Director	Fees [a]	Remuneration Shares [a]/[b]	Other Benefits [c]	Total
	S$'000	S$'000	S$'000	S$'000
Ooi Sang Kuang	1,550	67	42	1,659
Chua Kim Chiu	209	67	4	280
Lai Teck Poh	241	67	4	312
Lee Tih Shih	150	67	4	221
Christina Ong	147	67	4	218
Quah Wee Ghee	144	67	4	215
Pramukti Surjaudaja	121	67	-	188
Tan Ngiap Joo	254	67	4	325
Wee Joo Yeow	254	67	4	325
	3,070	603	70	3,743

Director & CEO	Salary	Bonus	Deferred Shares	Other Benefits [c]	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Samuel N. Tsien	1,242	5,623	3,749	86	10,700

Notes:
[a] Fees and remuneration shares for non-executive Directors are subject to approval by shareholders at the 2019 AGM.
[b] Value of remuneration shares was estimated based on closing price of ordinary shares on 18 March 2019, i.e. S$11.21 per share.
[c] Non-cash component such as club and car benefits for Mr Ooi Sang Kuang and Mr Samuel N. Tsien and carparks for Directors.

Subsidiaries

Director	Fees
	S$'000
Ooi Sang Kuang	139 [d]
Lai Teck Poh	210 [e]
Quah Wee Ghee	198 [f]
Pramukti Surjaudaja	668 [g]
Tan Ngiap Joo	158 [h]
Wee Joo Yeow	150 [i]

Notes:
[d] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and OCBC Wing Hang Bank.
[e] Fees from OCBC Bank (Malaysia) and PT Bank OCBC NISP.
[f] Fees from Bank of Singapore, The Great Eastern Life Assurance Co and Great Eastern General Insurance.
[g] Fees from PT Bank OCBC NISP for being President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.
[h] Fees from OCBC Bank (Malaysia) and OCBC Al-Amin Bank.
[i] Fees from Great Eastern Holdings.

Remuneration of Top Five Key Management Personnel in 2018

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' and CEO's 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 2018 exceeds S$100,000 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 or the CEO in 2018.

Remuneration of Substantial Shareholder's Immediate Family

None of the Bank's substantial shareholders are individuals, thus the disclosure on remuneration to employees who are immediate family of substantial shareholders is not applicable.

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	335
	Total fixed remuneration	26%	50%
	of which: cash-based	26%	50%
	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	332
	Total variable remuneration	74%	50%
	of which: cash-based	44%	31%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	30%	19%
	of which: deferred	30%	19%
	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	5	1,285,712	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%	46%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	46%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	41%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	41%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%

Notes:
[1] Examples of ex post explicit adjustments include malus, clawbacks or similar reversal or downward revaluation of awards.
[2] Examples of ex post implicit adjustments include fluctuation in the value of shares performance or performance units.

Accountability and Audit

Principle 9: 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 quality, adequacy and effectiveness of the internal controls and risk management processes and systems (including ensuring that the risk management function is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines). The Board approves the Bank's risk appetite and has oversight of the risk activities to ensure that these are consistent with the Bank's strategic intent and operating environment, as well as capital sufficiency and regulatory standards.

Further details on risk management are described under the section on Risk Management Committee on page 84.

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 assurance from the CEO (which includes assurances provided by key management personnel to the CEO) on the effectiveness of the Bank's risk management and internal control systems. The Board has also received assurances from the CEO and Chief Financial Officer 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 view 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 2018, 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 10: Audit Committee
The composition and summary terms of reference of the Audit Committee are provided under the section on Audit Committee on pages 83 and 84 and the Committee's summary activities are also provided in the Directors' Statement on page 139. The Audit Committee adopts, where appropriate, relevant best practices set out in the Guidebook for Audit Committees in Singapore.

In addition to the review of the Group Financial Statements, which includes reviewing the assurances provided by the CEO and Chief Financial Officer on the financial records and statements, the Audit Committee reviews and evaluates, with the external auditor and internal auditor, 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 auditor and internal auditor. When the external auditor provides 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 auditor against its 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 whistle-blowing policy and procedures for raising such concerns are disclosed and clearly communicated to employees. 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 auditor and internal auditor 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.

<u>External Audit</u>
The Audit Committee has received the requisite disclosures from the

current external auditor evidencing its independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditor will not prejudice the independence and objectivity of the external auditor. The aggregate amount of fees paid to the external auditor for financial year 2018, 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 current external auditor before its first appointment and at least annually thereafter. The selection of the 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 current 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 noted that the current external auditor, KPMG LLP, has served as external auditor of the Bank since 2006.

In line with good corporate governance practice, the Audit Committee is of the view that a change of external auditor is in the best interests of the Bank and its shareholders. Taking into consideration the requirements of the revised MAS Notice 615 to Banks and the SGX Listing Manual, the Audit Committee initiated an audit tender exercise.

Four international audit firms were invited to tender and all four firms submitted proposals. Management meetings were organised for each firm, allowing them equal access to senior management across our key locations before they submitted their written proposals. Presentations by each firm were made to a selection panel comprising members of the Group Audit Committee and the Audit Committee Chairmen of our key subsidiaries. The selection panel reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration the audit quality indicators introduced by the Accounting and Corporate Regulatory Authority and the criteria for the evaluation and selection of the external auditor contained in the Guidebook for Audit Committees in Singapore, including factors such as the adequacy of the resources and experience of the auditing firm and the proposed audit engagement partner, the audit firm's other engagements, and the number and experience of supervisory and professional staff to be assigned. Management feedback was also sought and presented as part of the deliberations by the panel. An independent and objective approach was observed throughout the process.

After due consideration, the selection panel recommended through the Audit Committee, PricewaterhouseCoopers LLP for nomination as external auditor commencing the financial year ending 31 December 2020. The Board has taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and is satisfied that PricewaterhouseCoopers LLP will be able to meet the audit requirements of the Bank.

The proposed change of external auditor would also provide the Bank with fresh perspectives and views of another professional audit firm and thus, could further enhance the value of the audit. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 AGM.

The scope of audit services to be provided by PricewaterhouseCoopers LLP will be comparable to those currently provided by KPMG LLP.

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 the external auditor 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 2018 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 2018 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 140 to 146 of the Annual Report were discussed with management and the external auditor:

- **Impairment of loans and bills receivable**
  The Audit Committee reviewed management's assessment and justification of allowances for impaired loans and non-impaired loans, including the appropriateness of forward-looking assumptions and scenarios adopted, in accordance with Singapore Financial Reporting Standards (International) 9 Financial Instruments and approved framework. The adequacy of allowances for impaired loans 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 with the input of the Risk Management 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 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 (International) in all material aspects, based on its review and discussions with management and the external auditor.

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 and effectiveness 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 and independence of the internal audit function, its resources, and its standing and effectiveness. 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 310. 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 Engagement

Principle 11: Shareholder Rights and Conduct of General Meetings

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.

All the Directors attended the 2018 AGM together with the external auditor and senior management 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 12: Engagement with Shareholders

The Bank has a shareholders communication 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 Investor Relations and Group Brand and Communications 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 investment community and media. Live webcasts of the Bank's half-year and full-year financial results presentation are available for viewing on the Bank's corporate website. The Bank's dividend policy is also disclosed in the Capital Management section on page 101 of this Annual Report. In 2018, OCBC Bank hosted more than 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.

Managing Stakeholders Relationships

Principle 13: Engagement with Stakeholders
OCBC Bank recognises the importance in maintaining positive stakeholder relationships, and adopts an inclusive approach in the management and engagement of its stakeholders – namely customers, investors, communities, regulators and employees. The Sustainability Report on pages 60 and 61 of this Annual Report sets out the Bank's approach to stakeholder engagement including key areas of focus and how it responds to stakeholder concerns.

The Bank maintains a corporate website – OCBC.com – to communicate and engage with its stakeholders.

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 Rules 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 blackout 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.

Summary of Disclosures

Express disclosure requirements in the Code of Corporate Governance issued by the Monetary Authority of Singapore (MAS) on 6 August 2018.

Provisions	Page Reference in OCBC Annual Report 2018
Provision 1.2 The induction, training and development provided to new and existing directors.	Pages 85 and 86
Provision 1.3 Matters that require Board approval.	Pages 82 and 83
Provision 1.4 Names of the Board Committee members, the terms of reference, delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	Pages 83 and 84
Provision 1.5 The number of Board and Board Committee meetings and the directors' attendance at such meetings.	Page 85
Provision 2.1 (a) The Board should identify in the Company's Annual Report each director it considers to be independent	Pages 24 to 27 and 86
(b) Where the Board considers a 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
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	Page 86
Provision 3.1 Relationship between the Chairman and the CEO if they are immediate family members.	Not applicable
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.	Pages 86 and 87
Provision 4.4 If the Board determines that a director is independent notwithstanding the existence of a relationship with the Company, its related corporations, its substantial shareholders or its officers, which may affect his/her independence, the relationships and the Board's reasons for considering him/her as independent should be disclosed.	Page 86
Provision 4.5 (a) Listed company directorships and principal commitments of each director should be disclosed	Pages 24 to 27 and 87
(b) If a director holds significant number of directorships and principal commitments, the Nominating Committee and Board should disclose reasoned assessment of the director's ability to diligently discharge his/her duties.	
Provision 5.2 The Board should state in the Company's Annual Report how the assessments of the Board, its Board Committees and each director have been conducted, including the identity of any external facilitator and its connection (if any) with the Company or any of its directors.	Page 87
Provision 6.4 The Company should disclose the engagement of any remuneration consultants and their independence in the Annual Report.	Page 87
Provision 8.1 Disclose the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) Each individual director and the CEO	For CEO and Management: Pages 88 to 92
(b) At least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	For the Company's Directors: Pages 88 and 91

Provisions	Page Reference in OCBC Annual Report 2018
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The Company should also state clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Page 91
Provision 8.3 Disclose all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. The Company should also disclose details of employee share schemes.	Pages 89 to 92
Provision 9.2 The Board should disclose that it has received assurance from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	Page 93
Provision 10.1 The Company should publicly disclose, and clearly communicate to employees, the existence of a whistle-blowing policy and procedures for raising concerns.	Page 93
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year.	Pages 85 and 96
Provision 12.1 The steps the Board has taken to solicit and understand the views of shareholders.	Pages 96 and 97
Provision 13.2 Disclose the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 97

Express disclosure requirements in the supplementary guidelines prescribed by the MAS under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore issued on 3 April 2013.

Supplementary Guidelines	Page Reference in OCBC Annual Report 2018
Guideline 1.16 An assessment of how the induction, orientation and training provided to new and existing directors 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.	Pages 85, 86 and 93
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 83
Guideline 4.13 Resignation or dismissal of key appointment holders.	Not applicable
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 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 84
Guideline 17.4 Material related party transactions.	Page 97

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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2018 S$'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$100,000) 2018 S$'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 a subsidiary of OCBC Bank	859	-

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 2018.

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

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 with an optimal mix of capital instruments in order to keep our overall cost of capital low.

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, regulatory changes, 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 2018, the Board of Directors has recommended a final dividend of 23 cents per share. This brings the full year 2018 dividend to 43 cents per share, or an estimated total dividend payout of S$1,816 million, representing 40% of the Group's core net profit of S$4,492 million (2017: total dividend payout of S$1,550 million, representing 37% of the reported Group's core net profit of S$4,146 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 2018, the Bank purchased 17.2 million ordinary shares for S$215 million as part of its share buyback programme, while 17.6 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 2018.

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.

Capital Management

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2018 based on MAS' fully-phased in Basel III rules for 2018. 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. One of OCBC's existing Additional Tier 1 capital instruments was issued under the Basel II capital adequacy framework. The capital instrument did not contain provisions to require it 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 2018	Basel III 2017 [1]
Tier 1 Capital		
Ordinary shares	**15,750**	14,136
Disclosed reserves/others	**19,219**	18,130
Regulatory adjustments	**(6,901)**	(5,359)
Common Equity Tier 1 Capital	**28,068**	26,907
Additional Tier 1 capital	**1,572**	2,985
Regulatory adjustments	**–**	(932)
Tier 1 Capital	**29,640**	28,960
Tier 2 capital	**3,347**	4,673
Regulatory adjustments	**(1)**	(408)
Total Eligible Capital	**32,986**	33,225
Credit	**171,487**	163,361
Market	**14,669**	16,130
Operational	**14,092**	13,591
Risk Weighted Assets	**200,248**	193,082
Capital Adequacy Ratios		
Common Equity Tier 1	**14.0%**	13.9%
Tier 1	**14.8%**	14.9%
Total	**16.4%**	17.2%

[1] The capital adequacy ratios as of 31 December 2017 are based on MAS' transitional Basel III rules for 2017.

OCBC's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2018, the capital adequacy ratios of these subsidiaries were above their respective local requirements.

Risk Management

We proactively identify and monitor the top and emerging risks that may impact the Group. We adopt a holistic risk management approach to ensure sustainable long-term growth in all our businesses and markets.

Key Highlights

Managing Portfolio Risks
In 2018, global growth remained generally strong in a benign inflation environment. However, we saw further normalisation of monetary policy, rising interest rates, escalating trade protectionism, growing US-China trade friction and China's structural deleveraging. These events resulted in heightened market volatility, tightened liquidity, dampened sentiments on global trade and weakened equity market and emerging market currencies in the second half of the year. Despite this, we have proactively managed the risks in our credit and trading portfolios across all our core businesses and key markets by adopting a disciplined and prudent risk management approach. We stayed focused on our strategy, reviewed and stress-tested our portfolios and heightened the monitoring of weak credits by encouraging early identification of potential weak borrowers. As a result, our asset quality has remained stable and sound.

Going into 2019, the risk events that dominated 2018 are likely to persist. Global growth momentum is expected to slow with reduced trade flows and investment activities. Emerging markets and developing countries with high public and corporate debt may face added fiscal risks, capital outflows and currency depreciations in light of the risk events. We will remain alert to developments in the global and regional economies and financial markets and will continue to grow our portfolio in a prudent and sustainable manner, supported by our strong liquidity, capital base and robust risk management.

Advancing Sustainability and Responsible Financing
We recognise that we play an important role as a financial institution in combating climate change and promoting long-term sustainable development. We continue to enhance the integration of Environmental, Social and Governance (ESG) considerations into our lending and capital market activities through our Responsible Financing framework and policy, including sector-specific policies. Adopting a risk-based approach towards managing ESG risk, transactions that carry high ESG risks are subject to enhanced evaluation and approval requirements.

We work with the Asia Sustainable Finance Initiative (ASFI) to help shift the region's financial flows towards sustainable economic, social and environmental outcomes. As part of our Climate Change commitment, we prohibit new corporate or project financing for coal-fired power plants that use subcritical efficiency technology and/or lignite (brown coal) as the main fuel source. In line with supporting the transition to a low-carbon economy, we aim to reduce the new financing of coal-fired power plants, while increasing the percentage of clean and renewable energy in our portfolio. In July 2018, we worked with the International Financial Corporation (IFC), which extended IDR2 trillion (S$202.36 million) to PT Bank OCBC NISP Tbk for green financing purposes.

We are also a signatory to the United for Wildlife Financial Taskforce, a coalition of financial institutions committed to playing our part in combating the illegal wildlife trade. We will ensure that the Bank does not deal with financial flows derived from the illegal wildlife trade and the corruption associated with it.

Enhancing Risk Culture
At the heart of our approach to strong governance is a robust culture underpinned by our corporate values of prudent risk taking, integrity and fair dealing to ensure our long-term success. The Board of Directors (Board) has also established a committee focused on ethics and conduct. The Ethics and Conduct Committee has oversight of policies, programmes and guidelines that inculcate and sustain a strong culture of responsible banking and fair dealing.

We have developed a Risk Culture framework that embeds and reinforces a systematic approach to managing risk within the Group. Corresponding initiatives under each component of the framework are identified, developed, enhanced and reinforced to encourage the right behaviours of our staff. We have implemented an Employee Conduct Trigger (ECT) model in Singapore which is one of the supporting components of our risk culture programme. The ECT model, comprises a set of indicators that encourage responsible employee conduct, was developed as an important supplement to our existing suite of human resource management tools. We will roll out the ECT model to our subsidiaries in 2019 and will progressively include more indicators (both bank-wide and business-specific) in the model.

Managing Cyber, Fraud and Information Risks
Cyber threats, and their link to fraud and other crimes, have risen in volume and intensity globally, alongside data protection and data privacy concerns. Cyber-attacks have become increasingly frequent, sophisticated and impactful, potentially resulting in severe disruption to banking services, data breaches, fraud and large financial losses. Protecting our customers has always been our priority; hence, ensuring the security and resiliency of our systems is imperative. We adopt a holistic approach to risk management, addressing areas such as cyber-attack, information loss and fraud. We have also enhanced our detection and monitoring systems, improved fraud recovery procedures and raised staff awareness of fraud and scams.

We have in place a Group cyber security strategy and roadmap that is regularly assessed by our cyber security team, and kept current with appropriate technologies. To strengthen our cyber resilience, we adopt a "defence-in-depth" approach in implementing multi-layered capabilities and processes focusing on cyber defence, cyber risk vigilance and awareness, social engineering testing, incident response, crisis management and business continuity, as well as insurance protection. To further enhance employees' vigilance in relation to cyber and information risks, we partnered with Institute of Banking and Finance (IBF) to develop and deliver a new IBF-accredited cyber risk management programme. We have also rolled out a new mandatory cyber and information e-learning programme.

Leveraging on Financial Technology (Fintech) Solutions
We continued to tap on Fintech solutions to redefine customer engagement, deliver greater customer value and bolster our internal controls and risk management capabilities. In our collective and continuous efforts to deepen engagement with customers, we leverage on big data and machine learning to sense customers' needs in real time to make contextual offers to them across multiple touchpoints. We have also started integrating machine learning and artificial intelligence (AI) into our existing transaction monitoring system to detect money laundering patterns and fraudulent activities which might not be detected by rule-based monitoring systems.

The acceleration of digital transformation within the Bank, increased collaboration with Fintechs, as well as adoption of application programming interfaces (APIs) and new technology solutions, could introduce more risks if not adequately managed. In addition to our established corporate risk governance structure and processes, we have implemented a proactive risk advisory engagement approach to facilitate early identification and mitigation of associated risks.

Enhancing Risk Management and Reporting Systems
We recognise the importance of data to support our businesses and clients and effective data governance and management to comply with the requirements stated in the Basel Committee on Banking Supervision's Standard No. 239 on Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239). The Group Data Management Committee was formed to oversee the effectiveness of policies and controls in meeting our data management objectives. We have also established a new function to perform the independent validation and reporting of our compliance status to BCBS 239 regulation.

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 and top management set the tone for a strong risk culture. This is framed by the Board Ethics and Conduct Committee and Board Risk Management Committee (BRMC), supported by a Risk Culture framework, with robust internal control environment. The framework embeds and reinforces a systematic approach to managing risk across the Group to ensure awareness, competency and accountability of practices. All customer-facing business units, product teams, independent functional risk management units and support units 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 we are willing to take. The risk appetite addresses the key considerations of our stakeholders and takes into account our risk and financial resource capacity in relation to regulatory requirements as well as the medium- to long-term operating environment. Our risk appetite is aligned with our strategic business goals and risk-adjusted return expectations and is operationalised through specific risk appetite statements for key businesses and subsidiaries. In addition, portfolio risk limits are cascaded from the risk appetite and used to establish business-operating boundaries.

- **Risk Management Framework** – The overarching risk management framework developed for each principal risk type is supported by policies, methodologies, tools, processes and controls. These are built around robust governance structures to ensure that they are effective and comprehensive in the identification, measurement, monitoring and control, and reporting of risks.

- **Holistic Risk Management** – Risks are managed holistically by evaluating risk interactions across the different risk types. Both business and risk-control units actively participate in regular forums to identify and assess top and emerging risks and opportunities arising 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 earnings. The results and recommended risk-response strategies 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 and control consciousness of the management in discharging its supervisory and oversight responsibilities through a Management Control Oversight Rating (MCOR). This evaluation is done based on a set of factors including awareness, aptitude and attitude.

Our banking subsidiaries are required to implement risk management framework and policies that conform to the stricter of Group's risk standards or local regulations. Their approving authority and limit structure are also 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 framework and practices (for information on GEH's risk management, refer to Note 39 in the Group's Financial Statements). Their risk management framework, policies and practices are aligned with the Group's risk standards where appropriate.

Risk Governance and Organisation

The Board establishes the Group's risk appetite and risk management principles. The 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 Group strategy and within the 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 and control, and reporting of risk exposures and ensuring the adequacy of risk management practices.

- approves risk management frameworks, major risk policies and material risk models.

The BRMC is supported by Group Risk Management (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 establishes relevant risk management frameworks, policies and procedures, risk measurements and methodologies; it also reviews and monitors the Group's risk profiles and portfolio concentrations. Any significant vulnerabilities and risk issues are highlighted to the respective risk management committees. Various risk reports, including key stress test results and action plans, are also submitted regularly to senior management, BRMC and the Board.

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. Additionally, we have a Material Risk Takers (MRTs) framework to define and identify MRTs – employees whose authorities and actions are identified as having material influence on our long-term performance. Specific compensation measures would be commensurate with the risks the MRTs are authorised to take.

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. Together with senior representatives from business units and subsidiaries, GRM facilitates a regular and structured emerging risk forum to identify and deliberate on potential dark clouds and opportunities. Identified emerging risks are actively monitored and updated to reflect changes in the operating environment, and serve as inputs into other risk management areas such as stress testing and portfolio limit setting. Both risk-taking and risk-control units are represented in the risk management committees and emerging risk forum, 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 products or market initiatives are comprehensively identified, measured, assessed and managed 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 approved internal control processes. Please refer to the Pillar 3 Disclosures section for information as at 31 December 2018.

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 OCBC Wing Hang and Bank OCBC NISP, 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.

Risk Management and Reporting Systems

Our risk management and reporting systems are designed to ensure that risks are comprehensively identified, with the relevant data being accurate, fit-for-purpose, aggregated consistently and delivered in a timely manner to support well-founded decisions. As a recognition of the importance of data in supporting our businesses and clients, a new function was established within GRM, reporting to the CRO, to drive our efforts to achieve better data management and governance. We have also enhanced our Data Governance framework with a renewed focus on the enforcement of common data standards, processing controls and aggregation rules.

Risk Management

A new Group Data Management Committee (GDMC), comprising members of senior management, was formed to support the BRMC and Group Chief Executive Officer (CEO) on the effectiveness of the policies and controls to meet our data management objectives. A number of other key initiatives to enhance our governance, reporting processes and systems are in progress, including the setting-up and operationalisation of the function to perform the independent validation and reporting of our compliance to BCBS 239 regulation.

Credit Risk Management

Credit risk is the risk of loss of principal and/or income arising from the failure of an obligor or counterparty to meet its financial or contractual obligations. As our primary business is commercial banking, we are exposed to credit risks from our lending activities. Trading and investment banking activities also expose the Group to counterparty and issuer credit risks. For derivative transactions, the total credit exposure is quantified by the positive mark-to-market value of the underlying instruments plus an appropriate add-on factor to cater for potential future exposure.

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee (CRMC), comprising members of senior management, supports the BRMC and CEO in managing credit risk. It oversees the execution of the Group's Credit Risk Management (CRM) framework and policies, including the effectiveness of our risk infrastructure, methodologies and systems in ensuring that credit risk taking is consistent with our risk appetite and aligned with the relevant business strategy. The CRMC also reviews the credit profile of material portfolios, recommends and monitors exposures undertaken against risk limits and highlights any material risk issues to the CEO and BRMC.

The Credit Risk Management department ensure the execution of the CRM framework, policies and procedures. This department also independently manage credit risk to ensure that risk-returns are within our risk appetite, target markets, limits and risk standards. We also have dedicated risk control functions 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 segment and geography. Regular stress tests and portfolio reviews are conducted to assess the potential impact of emerging risks on our credit exposures, including interactions among credit, market and liquidity events. The results of the stress tests and portfolio reviews are factored into the adjustment and refinement of risk-taking strategies, as well as credit and concentration limits, to ensure we remain within our risk appetite.

Credit Risk Management Approach

Our CRM framework encapsulates the complete cycle of credit risk management. It covers the identification, measurement, assessment, 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 and policy in place that sets out our overall approach towards the management of ESG risks, including the integration of ESG considerations into our credit and risk evaluation process for our lending and capital market activities. We have also developed sector-specific policies for Agriculture, Forestry, Energy, Mining and Metals that set out the criteria and thresholds for transactions involving these elevated ESG risk industries. Transactions with high ESG or reputational risks are escalated to the Reputational Risk Review Group for clearance. Periodic reports are provided to the CEO and BRMC on our ESG profile and the progress of our responsible financing implementation. Please refer to our Sustainability Report for more information on responsible financing.

<u>Lending to Consumers and Small Businesses</u>

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, customer selection criteria and acquisition strategy, product structure, lending criteria, as well as acceptable collateral and advance ratio. Apart from bankruptcy and credit bureau checks, systems and processes such as source identification of credit origination and independent verification of documentation are used to detect fraud. The performance of the portfolio 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 efficient, objective and consistent risk evaluation and decisions. Behavioural models are used for early identification of potential problem loans.

<u>Lending to Corporate and Institutional Customers</u>

Credit facilities extended to corporate and institutional customers are individually assessed, risk-rated and further reviewed and evaluated by experienced credit officers. Credit decisions are made after comprehensive qualitative and quantitative risk assessment, including a thorough understanding of the customer and customer group's interdependencies, and their ability and willingness to meet their financial obligations. Credit extensions are guided by predefined target market and risk acceptance criteria. Collateral and other credit support are also taken to mitigate credit risk where appropriate. To ensure objectivity in credit extensions, co-grantor approvals and shared risk ownership are required from both business and credit risk units.

<u>Lending to Private Banking Customers</u>

Credit facilities extended to our wealth management clients with the Bank of Singapore, a wholly-owned subsidiary of the

Group, are subject to comprehensive credit assessment, the availability of acceptable collateral and compliance with loan advance ratio 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. Timely and disciplined execution of margin calls, top-up provisions, stop loss and force-selling is strictly managed in accordance with approved procedures.

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 standardised Over-the-Counter (OTC) derivatives is cleared through Central Clearing Counterparties (CCP). OTC derivatives which are not cleared via CCP 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 same 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 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 (or more frequent) review 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 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 be correlated with the external credit ratings in terms of the PD 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. EAD models are also calibrated to reflect the long-run average or economic downturn conditions where necessary.

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 of 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 based on inputs from internal credit experts are typically used for portfolios with low defaults. 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 facilities are granted primarily based on the borrower's credit quality and repayment capacity from operating cash flows for corporates and institutions, and personal income or wealth (after assessing the total debts and commitments) for individuals. Where possible, we take credit risk mitigants as a secondary recourse to the borrower to mitigate credit risk. We accept collateral and credit protection such as cash, real estate, marketable securities, trade receivables, standby letters of credit and credit insurances. We have policies in place that set out the criteria for collateral and credit protection to be recognised as eligible credit risk mitigants. This includes factors such as legal certainty and enforceability, priority, correlation, marketability, liquidity, counterparty risk of the protection provider, as well as collateral-specific minimum operational requirements. Valuations are performed by independent qualified appraisers and the values of the collateral are monitored on a regular basis. The frequency of valuation depends on the type, liquidity and volatility of the collateral. Appropriate haircuts are applied to the market values of the collateral to reflect the underlying nature, quality, liquidity and volatility of the collateral. We also accept guarantees from individuals, corporates and institutions mainly as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

To manage counterparty credit risk, eligible financial collateral 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 netting agreements in legally-approved jurisdictions, so 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 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 exposures 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 specialised 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 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 credit exposures according to our assessment of the borrowers' ability to repay their financial obligations from 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 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.

Credit Loss Allowances

We maintain impairment allowances that are sufficient to absorb credit losses inherent in our loan portfolio. We recognise allowance for Expected Credit Losses (ECL) on credit impaired and non-credit impaired exposures in accordance to Singapore Financial Reporting Standard (International) 9: Financial Instruments (SFRS(I) 9) and MAS Notice 612 with a forward looking ECL model. Please refer to Note 2 in the Financial Statements for information on impairment allowances.

For credit impaired portfolio, specific allowance is assessed individually and measured based on lifetime ECL. The amount of specific allowance for an individual credit exposure is determined by ascertaining the net present value of future cash flows that is recoverable from the borrower. For homogenous unsecured retail loans such as credit card, NPLs of similar characteristics are pooled for estimating specific allowances collectively. NPLs are written off against specific allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered poor.

For non-credit impaired portfolio, the portfolio allowance is assessed and measured based on 12-month ECL if the credit risk of a credit exposure has not increased significantly since initial recognition. However, where there is significant increase in credit risk, the loss allowance is based on lifetime ECL. Both quantitative and qualitative information are used to determine whether the credit risk of a credit exposure has increased significantly since initial recognition.

Market Risk Management

Market risk is the risk of loss of income and/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. 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 reviews.

Market Risk Management Oversight and Organisation

The Market Risk Management Committee (MRMC) comprising members of senior management, 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 the CRO and supported by the Market Risk Management department. The department is an independent risk-control unit responsible for operationalising the Market Risk Management (MRM) 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 the Market Risk Management department acts as the independent monitoring unit to ensure sound governance. The key risk management activities of identification, measurement, monitoring and control, and reporting are regularly reviewed by the Market Risk Management department and 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 our 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. The defined confidence threshold of 99% means that statisically, losses on a single trading day may exceed VaR, on average, once every 100 days.

Other Risk Measures

As our main market risk arises from interest rate movements, 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, risk metrics 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 our 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 our risk tolerance. Besides the regular stress scenarios, ad-hoc stress scenarios are also performed for specific market conditions to assess the potential impact.

The table below provides a summary of the Group's trading VaR profile by risk types as at 31 December 2018 and 31 December 2017.

VaR by Risk Type – Trading Portfolio

	2018				2017			
S$ millions	**End of the period**	**Average**	**Minimum**	**Maximum**	**End of the period**	**Average**	**Minimum**	**Maximum**
Interest Rate VaR	**3.29**	**4.31**	**2.39**	**6.60**	5.44	5.48	2.63	9.06
Foreign Exchange VaR	**2.50**	**2.93**	**1.07**	**5.82**	2.13	4.97	1.81	13.77
Equity VaR	**1.49**	**1.33**	**0.45**	**3.99**	0.55	0.79	0.39	2.04
Credit Spread VaR	**1.99**	**2.94**	**0.88**	**4.67**	1.38	1.87	1.16	5.49
Diversification Effect[1]	**-4.86**	**-5.87**	**NM[2]**	**NM[2]**	-4.40	-4.88	NM[2]	NM[2]
Aggregate VaR	**4.40**	**5.65**	**3.79**	**8.97**	5.10	8.24	4.44	15.85

[1] Diversification effect is computed as the difference between Aggregate VaR and the 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 limit 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 independent validation and periodic review. We source market rates independently for risk measurement and valuation, thereby enhancing the integrity of the trading P&L and risk measures generated by the financial models used in managing market risk exposures.

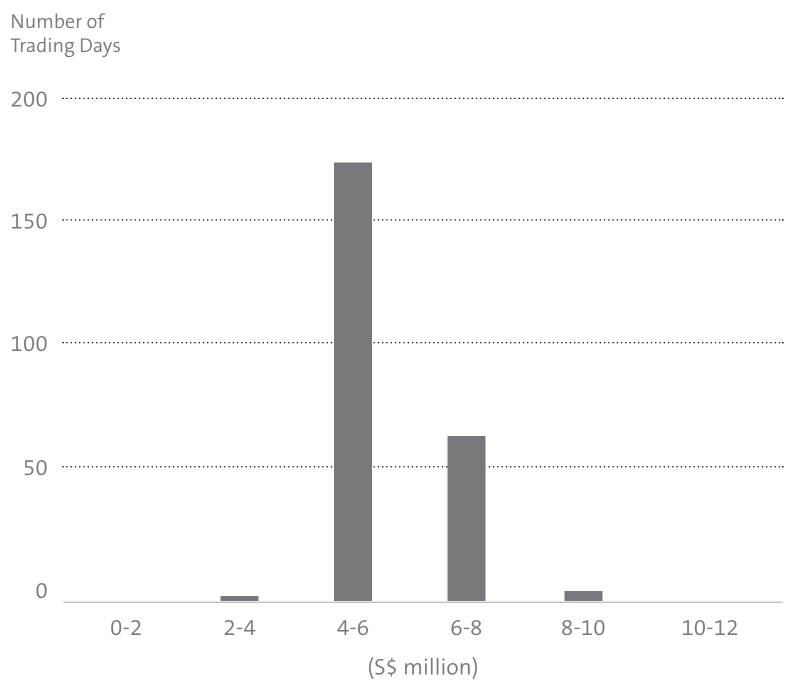
Back-testing

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

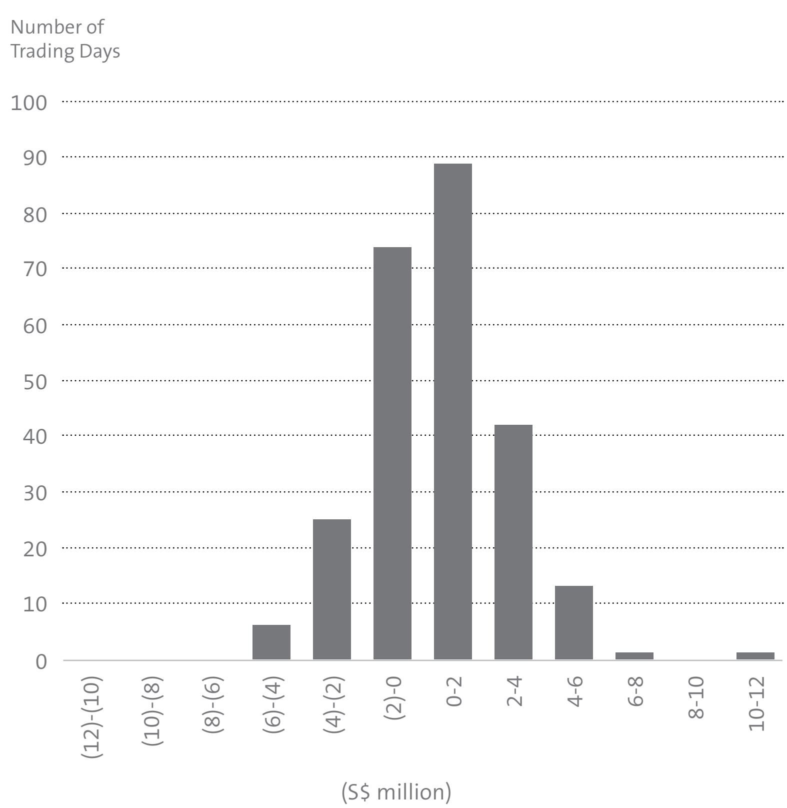
System and Infrastructure

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 processes and systems are also reviewed regularly to assess their continual effectiveness. We are also embarking on system upgrades to improve risk reporting and roll out new functionalities to support the changing regulatory landscape.

Frequency Distribution of Group Trading Book Daily Total VaR (One Day Holding Period) for FY 2018



Frequency Distribution of Group Trading Daily P&L for FY 2018



Asset Liability Management

Asset liability management is the strategic management of our 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), comprising members of senior management, is responsible for the management of our 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 department within GRM monitors our banking book interest rate, structural foreign exchange and liquidity risk profiles under both business-as-usual and stressed scenarios. These are based on the standards established in the Asset Liability Management (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 ALM 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 we have 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 process. 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 2018, we extended our daily regulatory reporting of our group-wide Liquidity Coverage Ratio (LCR) to include OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon. We also commenced regulatory reporting of our group-wide Net Stable Funding Ratio (NSFR).

Interest Rate Risk in the Banking Book
The primary goal of the management of Interest Rate Risk in the Banking Book (IRRBB) is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with our risk appetite.

IRRBB is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk. We use a range of techniques 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 our 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. We use the results to adjust IRRBB 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. In 2018, we completed the implementation of group-wide IRRBB regulatory reporting which came into effect from 31 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. We are exposed to credit spread risk with the holding of high quality liquid assets (HQLA) in our banking book to comply with LCR. While HQLA are of low default risk, their value could be sensitive to changes in credit spreads. This risk is monitored against approved CS01 limits on a daily basis and subject to historical and anticipatory stress testing. 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 risk impact. We aim 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.

Risk Management

Operational Risk Management Oversight and Organisation
The Operational Risk Management Committee (ORC), comprising members of senior management, 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 our operational risk management (ORM) programmes are appropriate and effective.

The Operational Risk Management department establishes the ORM framework, supporting policies and procedures. It also independently oversees operational risk monitoring and controls that reside within each business, product and process. ORM programmes are actively implemented through the respective Operational Risk Partners (ORP) or managers in the business units and subsidiaries. Operational Risk Management department has also developed an industry-recognised accreditation programme to raise the competency level of ORPs or managers. In 2018, the accreditation programme was further enhanced to incorporate cyber risk management.

Operational Risk Management Approach
We adopt an ORM 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 evaluating the robustness of its risk and control environment, including compliance with legal and regulatory requirements. Self-assessment declarations are subject to 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 CEO, BRMC and Audit Committee regarding the adequacy and effectiveness of the internal controls and risk management systems and highlights accompanying remedial plans to address any outstanding key control deficiencies. Operational risk data is 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 we focus on include but are not limited to:

<u>Outsourcing Risk Management</u>
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 Association of Banks in Singapore (ABS) Outsourcing Advisory Committee, we share outsourcing practices and keep abreast of developments in the industry.

<u>Physical and People Security Risk Management</u>
We have a programme to ensure that physical and security risks to people and assets are adequately addressed. The physical security programme includes active monitoring of external events that may pose a threat to OCBC locations, people and assets and provides advisories and response procedures to better prepare the Bank and our employees against risk events. We also have procedures in place to address risk posed to staff on business travel.

In 2018, as the chairperson of the ABS Physical Security Standing Committee, we supported ABS in developing and publishing an industry guideline on physical security. In collaboration with the Singapore Police Force, we conducted a desktop walkthrough and the first unrehearsed and unscripted exercise to test the security responses of our staff and security personnel as well as strengthened ground coordination and liaison during such incidents. To mitigate physical security risks, we are enhancing the access control management of our buildings.

<u>Business Continuity Risk Management</u>
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.

In 2018, we further strengthened our resilience by developing recovery plans to address prolonged disruptive incidents. To create stronger awareness of crisis management amongst our Board members, we performed a walkthrough simulation with the Board Executive Committee. A cyber security incident desktop walkthrough exercise was also conducted, with participation from the chairpersons of the Board and BRMC. Such exercises will be conducted regularly to enhance awareness and the robustness of our programme. 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 with MAS guidelines, as well as a declaration of acceptable residual risk.

<u>Fraud Risk Management</u>
Our fraud risk management and whistle-blowing programmes aim to prevent and detect fraud or misconduct. Apart from the internal reporting channel, to provide added assurance of the confidentiality and integrity of the process, we also have an external channel for employees to lodge whistle-blowing reports. Members of the public may also lodge whistle-blowing reports through any of our existing channels. We adopt a zero-tolerance stance in relation to fraud and conduct independent investigations into such incidents. 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. Group Audit independently reviews all fraud and whistle-blowing cases; findings are reported to the Audit Committee.

In 2018, we ran a targeted public awareness campaign to educate the public about scams and focused on strengthening public-private collaboration to combat fraud. We also continue to invest in new technologies to detect potential fraudulent transactions. This includes enhancing our Fraud Surveillance System to monitor transactions on our online banking, credit card and ATM channels. New technologies were also deployed to detect financial malware on devices interacting with our Internet and mobile banking platforms. These capabilities will be further enhanced through extending the scope of coverage, utilising machine learning and AIs.

Technology, Information and Cyber Risk Management

We adopt a "defence-in-depth" 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 also conduct regular security reviews and audits to validate the effectiveness of these controls.

We have comprehensive policy and extensive programmes in place to focus on cyber defence capabilities, cyber risk vigilance and awareness, social engineering testing, incident response, crisis management and business continuity, as well as insurance protection against damages arising from cyber-attacks. We review relevant external events on a regular basis and derive learning lessons to enhance our cyber resilience. Senior Management is also actively involved in decision-making on strategies to prevent, detect and respond to evolving cyber threat landscape. We also 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. Please refer to our Sustainability Report for more information on cyber resilience.

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 arising 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 CEO and BRMC with an annual Regulatory Compliance Certification regarding the state of regulatory compliance.

Anti-Money Laundering/Countering the Financing of Terrorism and Sanctions Risk Management

We have a robust framework and programme for combating money-laundering, countering the financing of terrorism and guarding against sanctions violations that is implemented across the Group. The framework and programme comprises policy and procedures, risk assessment methodologies, senior management governance oversight structure, escalation protocol, monitoring and investigation processes, transaction monitoring and screening systems and management reporting platforms. The core pillars of the framework are aligned to the MAS Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and Sanctions regulations and are also in line with the principles or guidelines set by international organisations, such as the Financial Action Task Force (FATF), 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.

Our AML/CFT programme is subject to internal and external audits as well as regulatory inspections. The Board and senior management 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. Our AML/CFT & Sanctions systems capabilities are continuously enhanced where new Fintech solutions such as machine learning and AIs are embedded into the monitoring and screening platforms.

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. We require our employees to undergo basic training and regular refresher training to ensure that they understand these risks. 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. We provide regular training to the respective Board and management committees of our entities within the Group 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 2018)

Introduction

In accordance with Pillar 3 disclosure requirements under Monetary Authority of Singapore (MAS) Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore, relevant quantitative and qualitative disclosures have been included in the Stand-alone Pillar 3 Disclosures Report and this Annual Report under Risk Management, Corporate Governance, Capital Management Sections and Notes to Financial Statements. The Pillar 3 disclosures are to enable market participants to better understand and compare the capital adequacy and risk profile across banks via improved consistency in public disclosure.

Scope Of Consolidation

The consolidation basis used for regulatory capital computation is similar to that used for financial reporting except for Great Eastern Holdings Limited and its insurance subsidiaries which 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's 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).

The Stand-alone Pillar 3 Disclosures Report is located in the Capital and Regulatory section of OCBC's website for Fourth Quarter and Full Year 2018 (www.ocbc.com/group/investors/cap_and_reg_disclosures.html).

Overview of Disclosure Requirements

The locations of the quantitative and qualitative Pillar 3 disclosure requirements are outlined in the table below.

Disclosure Requirement	Location
Overview of Risk Management and RWA	
Key Metrics	Pillar 3 Disclosures Report Section 3
Risk Management Approach	OCBC Annual Report 2018 • Risk Management Section • Corporate Governance Section • Capital Management Section
Overview of Risk Weighted Assets (RWA)	Pillar 3 Disclosures Report Section 9
Linkages between Financial Statements and Regulatory Exposures	
Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories	Pillar 3 Disclosures Report Section 6.1
Main Sources of Differences between Regulatory Exposure Amounts and Carrying Amounts in Financial Statements	Pillar 3 Disclosures Report Section 6.2
Qualitative Disclosure of Differences between Carrying Amounts in Financial Statements and Regulatory Exposure Amounts	Pillar 3 Disclosures Report Sections 2 and 6 OCBC Annual Report 2018 • Notes to the Financial Statements, Fair Values of Financial Instruments: Valuation Governance Framework [(1)] and Fair Values • Notes to the Financial Statements, Summary of Significant Accounting Policies: Critical Accounting Estimates and Judgements, Fair Value Estimation
Prudent Valuation Adjustments	Pillar 3 Disclosures Report Section 6.3
Credit Risk	
General Qualitative Disclosures about Credit Risk	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management
Credit Quality of Assets	Pillar 3 Disclosures Report Section 8.1
Changes in Stock of Defaulted Loans and Debt Securities	Pillar 3 Disclosures Report Section 8.2
Additional Disclosures related to the Credit Quality of Assets	Pillar 3 Disclosures Report Sections 8.3, 8.4 and 8.5 OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Remedial Management • Notes to the Financial Statements, Summary of Significant Accounting Policies: Impairment of Assets • Notes to the Financial Statements, Risk Management: Credit Risk

Note:

(1) Valuation Governance Framework does not apply to Great Eastern Holdings Limited and its insurance subsidiaries.

Disclosure Requirement	Location
Credit Risk (continued)	
Qualitative Disclosures related to CRM Techniques	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Credit Risk Mitigation • Risk Management Section, Credit Risk Management: Managing Credit Risk Concentrations • Notes to the Financial Statements, Risk Management: Credit Risk, Collaterals • Notes to the Financial Statements, Offsetting Financial Assets and Financial Liabilities
Overview of Credit Risk Mitigation (CRM) Techniques	Pillar 3 Disclosures Report Section 11.5
Qualitative Disclosures on the use of external credit ratings under the Standardised Approach (SA) Credit Risk (CR)	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Standardised Approach for Other Portfolios
(SA)(CR) and (SA) Equity Exposures (EQ) – Credit Risk Exposure and CRM Effects	Pillar 3 Disclosures Report Section 11.1
(SA)(CR) and (SA)(EQ) – Exposures by Asset Classes and Risk Weights	Pillar 3 Disclosures Report Section 11.2
Qualitative Disclosures for Internal Ratings-Based Approach (IRBA) Models	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Internal Credit Rating Models • Risk Management Section, Credit Risk Management: A-IRB for Major Consumer, Small Business and Margin Lending Portfolios • Risk Management Section, Credit Risk Management: F-IRB for Major Wholesale Portfolios
IRBA – Credit Risk Exposures by Portfolio and Probability of Default (PD) Range	Pillar 3 Disclosures Report Sections 11.3 and 11.4
IRBA – Effect on RWA of Credit Derivatives used as CRM	Pillar 3 Disclosures Report Section 11.6
IRBA – RWA Flow Statement for Credit Risk Exposures	Pillar 3 Disclosures Report Section 10
IRBA – Backtesting of PD per Portfolio	Pillar 3 Disclosures Report Section 12
IRBA – Specialised Lending and Equities under the Simple Risk Weight Method	Pillar 3 Disclosures Report Section 13
Counterparty Credit Risk (CCR)	
Qualitative disclosures related to Counterparty Credit Risk (CCR)	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Credit Risk from Investment and Trading Activities • Risk Management Section, Credit Risk Management: Credit Risk Mitigation
Analysis of CCR Exposure by Approach	Pillar 3 Disclosures Report Section 14.1
Credit Valuation Adjustments (CVA) Risk Capital Requirements	Pillar 3 Disclosures Report Section 14.2

Disclosure Requirement	Location
Counterparty Credit Risk (CCR) (continued)	
Standardised Approach – CCR Exposures by Portfolio and Risk Weights	Pillar 3 Disclosures Report Section 14.3
IRBA – CCR Exposures by Portfolio and PD Range	Pillar 3 Disclosures Report Sections 14.4 and 14.5
Composition of Collateral for CCR Exposure	Pillar 3 Disclosures Report Section 14.6
Credit Derivative Exposures	Pillar 3 Disclosures Report Section 14.7
RWA Flow Statements under the CCR Internal Models Method	Pillar 3 Disclosures Report Section 1
Securitisation	
Qualitative disclosure related to securitisation exposures	OCBC Annual Report 2018 • Risk Management Section, Credit Risk Management: Credit Risk from Securitisation • Risk Management Section, Credit Risk Management: IRB Approach for Securitisation Exposures
Securitisation Exposures in the Banking and/or Trading Book Securitisation Exposures in the Banking Book and associated Regulatory Capital Requirements – A Reporting Bank acting as Originator/Sponsor/Investor	Pillar 3 Disclosures Report Section 15
Market Risk	
Qualitative disclosure related to Market Risk	OCBC Annual Report 2018 • Risk Management Section, Market Risk Management
Qualitative disclosures related to Internal Models Approach (IMA) Market Risk under Standardised Approach	Pillar 3 Disclosures Report Section 16
RWA Flow Statements of Market Risk Exposures under IMA	Pillar 3 Disclosures Report Section 1
IMA Values for Trading Portfolios	Pillar 3 Disclosures Report Section 16
Comparison of VaR Estimates with Gains or Losses	OCBC Annual Report 2018 • Risk Management Section, Market Risk Management: Market Risk Measurements • Risk Management Section, Market Risk Management: Risk Monitoring and Control

Pillar 3 Disclosures

(OCBC Group – As at 31 December 2018)

Disclosure Requirement	Location
Operational Risk	
Operational Risk	OCBC Annual Report 2018 • Risk Management Section, Basel Requirements • Risk Management Section, Operational Risk Management
Interest Rate Risk in the Banking Book	
Interest Rate Risk in the Banking Book	Pillar 3 Disclosures Report Section 17 OCBC Annual Report 2018 • Risk Management Section, Asset Liability Management: Interest Rate Risk in the Banking Book • Notes to the Financial Statements, Risk Management: Market Risk and Asset Liability Management, Interest Rate Risk
Remuneration	
Remuneration	OCBC Annual Report 2018 • Corporate Governance Section related to Remuneration
Composition of Capital	
Reconciliation of Regulatory Capital to Balance Sheet	Pillar 3 Disclosures Report Section 5.1
Composition of Regulatory Capital	Pillar 3 Disclosures Report Section 5.2
Main Features of Regulatory Capital Instruments	Pillar 3 Disclosures Report Section 5.3
Leverage Ratio	
Leverage Ratio Summary Comparison Table	Pillar 3 Disclosures Report Sections 7.1 and 7.2
Leverage Ratio Common Disclosure Table	Pillar 3 Disclosures Report Section 7.3
Macroprudential Supervisory Measures	
Key Capital Figures	Pillar 3 Disclosures Report Sections 3 and 4.1
Disclosure of Global Systemically Important Bank (G-SIB) Indicators	Pillar 3 Disclosures Report Section 4.2
Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer	Pillar 3 Disclosures Report Section 4.3
Others	
Overview of Disclosure Policy	OCBC Annual Report 2018 • Risk Management Section, Basel Requirements
Attestation Statement	Pillar 3 Disclosures Report, Page 4 OCBC Annual Report 2018 • Risk Management Section, Basel Requirements

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Management Discussion and Analysis

Overview

	2018 S$ million	2017 S$ million	+/(-) %
Selected Income Statement Items			
Net interest income	**5,890**	5,423	9
Non-interest income	**3,811**	4,105	(7)
Total income	**9,701**	9,528	2
Operating expenses	**(4,214)**	(4,043)	4
Operating profit before allowances and amortisation	**5,487**	5,485	–
Amortisation of intangible assets	**(102)**	(104)	(2)
Allowances for loans and other assets	**(288)**	(671)	(57)
Operating profit after allowances and amortisation	**5,097**	4,710	8
Share of results of associates	**455**	389	17
Profit before income tax	**5,552**	5,099	9
Net profit attributable to shareholders	**4,492**	4,045	11
Cash basis net profit attributable to shareholders [1]	**4,594**	4,149	11
Selected Balance Sheet Items			
Ordinary equity	**40,637**	37,528	8
Equity attributable to equity holders of the Bank	**42,137**	39,028	8
Total assets	**467,543**	452,693	3
Assets excluding life insurance fund investment assets	**390,676**	378,766	3
Net customer loans	**255,193**	234,141	9
Deposits of non-bank customers	**295,412**	283,642	4
Per Ordinary Share (S$)			
Basic earnings [2]	**1.06**	0.95	
Diluted earnings [2]	**1.06**	0.95	
Net asset value – Before valuation surplus	**9.56**	8.96	
Net asset value – After valuation surplus	**11.38**	11.34	
Key Financial Ratios (%)			
Return on equity [2][3]	**11.5**	11.0	
Return on assets [4]	**1.17**	1.11	
Net interest margin	**1.70**	1.65	
Net interest income to total income	**60.7**	56.9	
Non-interest income to total income	**39.3**	43.1	
Cost-to-income	**43.4**	42.4	
Loans-to-deposits	**86.4**	82.5	
Non-performing loans ratio	**1.5**	1.5	
Total capital adequacy ratio (CAR) [5][9]	**16.4**	17.2	
Tier 1 CAR [5][9]	**14.8**	14.9	
Common Equity Tier 1 CAR [5][9]	**14.0**	13.9	
Leverage ratio [6][9]	**7.2**	7.3	
Singapore dollar liquidity coverage ratio [7][9]	**244**	262	
All-currency liquidity coverage ratio [7][9]	**143**	148	
Net stable funding ratio [8][9]	**109**	na	

(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 insurance fund investment assets.
(5) The Group's capital adequacy ratios for 2018 are computed based on MAS' fully-phased in Basel III rules. Prior to 2018, the Group's capital adequacy ratios were computed based on MAS' transitional Basel III rules.
(6) The Group's leverage ratio is computed based on MAS Notice 637.
(7) The Group's liquidity coverage ratios (LCR) are computed based on MAS Notice 649 and reported based on the average LCR for the respective years.
(8) The Group's net stable funding ratio is computed based on MAS Notice 652.
(9) Public disclosures required under MAS Notice 637 Notice on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore, MAS Notice 651 Liquidity Coverage Ratio Disclosure and MAS Notice 653 Net Stable Funding Ratio Disclosure can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).
(10) 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)).
(11) "na" denotes not applicable.

Overview (continued)

The Group reported a net profit after tax of S$4.49 billion for the financial year ended 31 December 2018, up 11% from S$4.05 billion a year ago. This was driven by record earnings from the Group's banking operations which rose 22% year-on-year, led by income growth, disciplined cost control and lower allowances. The Group's return on equity increased to 11.5% from 11.0% a year ago.

The Group's total income climbed to a new high of S$9.70 billion from S$9.53 billion in the previous year.

Net interest income increased 9% year-on-year to S$5.89 billion from S$5.42 billion in 2017, underpinned by loan growth and a rise in net interest margin (NIM). Customer loans grew 9% to S$258 billion across all key markets. Full year NIM improved by 5 basis points to 1.70% from higher margins in Singapore, Malaysia and Greater China.

Non-interest income of S$3.81 billion declined 7% from the previous year, mainly attributed to lower investment income from Great Eastern Holdings (GEH), even though non-interest income from banking operations rose 4% year-on-year. The Group's net fees and commissions grew 4% to S$2.03 billion, led by higher wealth management, credit card, loan and trade-related fees. Wealth management fee income was up 5% at S$958 million, despite slower fourth quarter performance as a result of weak investment sentiments during the quarter. Net trading income was 1% lower from a year ago at S$508 million, while income from life and general insurance was little changed at S$911 million. Net gains from sale of investment securities were significantly lower at S$16 million as compared to S$431 million a year ago, as substantially higher gains were realised from the divestment of investment securities by GEH in the prior year.

Operating expenses were S$4.21 billion and 4% above a year ago, with the cost-to-income ratio at 43.4%. Allowances for loans and other assets of S$288 million were below S$671 million a year ago.

The Group's share of results of associates rose 17% to S$455 million from S$389 million a year ago.

Earnings per share increased to S$1.06 from S$0.95 in the previous year.

Allowances and Asset Quality
Net allowances for loans and other assets in 2018 were S$288 million, significantly lower than the S$671 million a year ago.

Overall asset quality of the loan portfolio continued to be healthy. As at 31 December 2018, total non-performing assets were S$3.94 billion, higher than S$3.47 billion a year ago, with the increase led by the general commerce sector. The non-performing loans ratio of 1.5% was flat as compared to the prior year.

Funding and Capital Position
The Group maintained its strong funding and capital position. Customer loans grew 9% year-on-year to S$258 billion while customer deposits were up 4% at S$295 billion, with current account and savings deposits representing 46.4% of total non-bank deposits. The Group's loans-to-deposits ratio was 86.4% as compared to 82.5% a year ago.

The average Singapore dollar and all-currency liquidity coverage ratios for the Group in 2018 were 244% and 143% respectively, while the net stable funding ratio was 109%.

The Group's Common Equity Tier 1 capital adequacy ratio (CAR), Tier 1 CAR and Total CAR as at 31 December 2018 were 14.0%, 14.8% and 16.4% respectively. The Group's leverage ratio was 7.2% as at 31 December 2018.

These regulatory ratios were all above their respective regulatory requirements.

Overview (continued)

Subsidiaries' Full Year Performance
Great Eastern Holdings' net profit after tax was S$741 million for the year, 29% lower than S$1.04 billion in 2017. Although operating profit from its underlying insurance business grew year-on-year, this was more than offset by unrealised mark-to-market losses in its investment portfolio and the absence of substantial gains from the sale of investment securities that were realised a year ago. GEH's contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, was S$604 million, representing 13% of the Group's earnings, as compared to 21% in the prior year. Total weighted new sales and new business embedded value (NBEV) were S$1.24 billion and S$528 million respectively in 2018, while NBEV margin rose to 42.7% from 41.4% a year ago. Embedded value, a measure of the economic value of the existing business of a life insurance company, rose 0.4% year-on-year to S$13.44 billion.

Both OCBC Wing Hang and Bank OCBC NISP reported record net profit after tax in local currency terms in 2018. OCBC Wing Hang's net profit increased 15% from a year ago to HK$2.76 billion (S$475 million), driven by broad-based income growth. Its customer loans rose 8% to HK$193 billion (S$34 billion) while deposits were relatively stable at HK$222 billion (S$39 billion). Bank OCBC NISP reported a 21% rise in full year net profit of IDR2.64 trillion (S$251 million), backed by strong net interest income growth and lower allowances. Customer loans and deposits both grew 11% year-on-year to IDR118 trillion (S$11 billion) and IDR126 trillion (S$12 billion) respectively.

OCBC Bank Malaysia's full year net profit after tax fell 14% to RM814 million (S$272 million), as net interest income growth was offset by a decline in other income segments, while allowances were higher than the previous year. Customer loans were up 2% year-on-year at RM69 billion (S$23 billion) and deposits rose 3% to RM76 billion (S$25 billion).

As at 31 December 2018, Bank of Singapore's assets under management grew 3% to US$102 billion (S$139 billion) from US$99 billion (S$132 billion) a year ago, driven by sustained net new money inflows. Including secured loans, its earnings asset base grew 4% to US$125 billion (S$171 billion) from US$121 billion (S$161 billion) in the previous year.

The Group's overall wealth management-related income – comprising income from insurance, private banking, asset management, stockbroking and other wealth management products – was S$2.84 billion in 2018 and represented 29% of the Group's total income.

Final Dividend
Supported by record earnings and a strong capital position, the Board has proposed a final tax-exempt dividend of 23 cents per share, representing an increase of 21% from the final dividend of 19 cents a year ago and a 15% rise from the interim dividend of 20 cents. Together with the interim dividend of 20 cents per share, this will bring the 2018 total dividend to 43 cents, up 16% or 6 cents, from 37 cents per share in 2017. To continue to provide our shareholders with the option of reinvesting in OCBC Bank, the Scrip Dividend Scheme will be applicable to the final dividend. The estimated total dividend payout will amount to S$1.82 billion, an increase of 17% from 2017. This represents a dividend payout ratio of 40% of the Group's core net profit in 2018.

Net Interest Income

Average Balance Sheet

	2018			2017		
	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	**247,778**	**8,195**	**3.31**	225,150	6,845	3.04
Placements with and loans to banks	**50,110**	**1,559**	**3.11**	54,616	1,090	2.00
Other interest earning assets	**49,473**	**1,295**	**2.62**	49,026	1,183	2.41
	347,361	**11,049**	**3.18**	328,792	9,118	2.77
Interest bearing liabilities						
Deposits of non-bank customers	**287,333**	**4,169**	**1.45**	268,235	2,960	1.10
Deposits and balances of banks	**8,646**	**182**	**2.11**	11,065	142	1.28
Other borrowings	**31,482**	**808**	**2.56**	28,884	593	2.05
	327,461	**5,159**	**1.58**	308,184	3,695	1.20
Net interest income/margin [1]		**5,890**	**1.70**		5,423	1.65

Net interest income rose 9% to S$5.89 billion in 2018, from S$5.42 billion a year ago, mainly driven by loan growth and a rise in net interest margin. Net interest margin rose 5 basis points to 1.70% from 1.65% in 2017, underpinned by higher margins in Singapore, Malaysia and Greater China.

Volume and Rate Analysis

Increase/(decrease) for 2018 over 2017 due to change in:	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	688	662	1,350
Placements with and loans to banks	(90)	559	469
Other interest earning assets	11	101	112
	609	1,322	1,931
Interest expense			
Deposits of non-bank customers	211	998	1,209
Deposits and balances of banks	(31)	71	40
Other borrowings	53	162	215
	233	1,231	1,464
Impact on net interest income	376	91	467

[1] Net interest margin is net interest income as a percentage of interest earning assets.

Management Discussion and Analysis

Non-Interest Income

	2018 S$ million	2017 S$ million	+/(-) %
Gross fee and commission income [2]			
Brokerage	**105**	111	(6)
Wealth management	**958**	914	5
Fund management	**113**	108	4
Credit card	**351**	315	11
Loan-related	**300**	292	3
Trade-related and remittances	**239**	217	10
Guarantees	**18**	19	(7)
Investment banking	**102**	99	3
Service charges	**100**	100	–
Others	**40**	39	3
	2,326	2,214	5
Fee and commission expense	**(295)**	(261)	13
Fees and commissions (net)	**2,031**	1,953	4
Dividends	**128**	76	67
Rental income	**79**	83	(4)
Income from life and general insurance			
Profit from life insurance	**740**	768	(4)
Premium income from general insurance	**171**	150	15
Sub-total	**911**	918	(1)
Other income			
Net trading income	**508**	515	(1)
Net gain from investment securities	**16**	431	(96)
Net gain from disposal of subsidiaries and associates	**8**	34	(76)
Net gain from disposal of properties	**47**	57	(18)
Others	**83**	38	116
Sub-total	**662**	1,075	(38)
Total non-interest income	**3,811**	4,105	(7)
Fees and commissions (net)/Total income	**20.9%**	20.5%	

(1) 2017 figures were restated with the adoption of SFRS(I).
(2) 2017 figures were restated to conform with current year's presentation.

Non-interest income in 2018 was S$3.81 billion, and was 7% lower as compared to S$4.11 billion a year ago.

Net fees and commissions rose 4% to S$2.03 billion in 2018. This was largely driven by an increase in wealth management, credit card, loan and trade-related fees. Wealth management fee income grew 5% year-on-year to S$958 million in 2018, despite slower fourth quarter performance as a result of weak investment sentiments during the quarter. Net trading income was S$508 million and was slightly below the S$515 million a year ago. Income from life and general insurance was relatively unchanged from a year ago at S$911 million. Dividend income increased 67% to S$128 million from S$76 million in 2017. Net realised gains from the sale of investment securities was S$16 million as compared to S$431 million a year ago, which had included significantly higher gains realised by GEH from the divestment of investment securities in 2017.

Operating Expenses

	2018 S$ million	2017 S$ million	+/(-) %
Staff costs	**2,606**	2,471	5
Property and equipment			
Depreciation	**317**	315	1
Maintenance	**124**	121	2
Rental expenses	**100**	99	1
Others	**271**	258	5
	812	793	2
Other operating expenses	**796**	779	2
Total operating expenses	**4,214**	4,043	4
Group staff strength			
Year end	**29,706**	29,174	2
Average	**29,549**	29,401	1

(1) 2017 figures were restated with the adoption of SFRS(I).

Operating expenses grew 4% to S$4.21 billion from S$4.04 billion a year ago. Staff costs were up 5% at S$2.61 billion, from S$2.47 billion in 2017. Property and equipment-related expenses were S$812 million, an increase of 2% from S$793 million a year ago.

The cost-to-income ratio was higher at 43.4% in 2018 compared to 42.4% a year ago.

Allowances for Loans and Other Assets

	2018 S$ million	2017 S$ million	+/(-) %
Allowances/(write-back):			
Impaired loans (2)			
Singapore	**219**	486	(55)
Malaysia	**64**	297	(79)
Greater China	**34**	84	(59)
Others	**80**	540	(85)
	397	1,407	(72)
Impaired other assets	**5**	50	(90)
Non-impaired loans (3)	**(90)**	(786)	89
Non-impaired other assets	**(24)**	–	–
Allowances for loans and other assets	**288**	671	(57)

(2) Referred to as specific allowances in 2017.
(3) Referred to as portfolio allowances in 2017.

Allowances for loans and other assets were S$288 million in 2018, lower than S$671 million a year ago when allowances were set aside for corporate accounts in the oil and gas support vessels and services sector.

Customer Loans

	2018 S$ million	2017 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**8,894**	8,073	10
Manufacturing	**16,703**	12,501	34
Building and construction	**53,572**	35,436	51
Housing loans	**64,753**	64,542	–
General commerce	**34,664**	29,010	19
Transport, storage and communication	**13,917**	11,568	20
Financial institutions, investment and holding companies [1]	**22,144**	37,838	(41)
Professionals and individuals	**30,373**	28,704	6
Others	**12,685**	9,649	31
	257,705	237,321	9
By Currency			
Singapore Dollar	**91,640**	85,485	7
United States Dollar	**67,248**	61,445	9
Malaysian Ringgit	**20,870**	20,481	2
Indonesian Rupiah	**8,695**	7,795	12
Hong Kong Dollar	**35,195**	33,011	7
Chinese Renminbi	**4,502**	4,626	(3)
Others	**29,555**	24,478	21
	257,705	237,321	9
By Geography [2]			
Singapore	**108,169**	99,872	8
Malaysia	**29,649**	28,231	5
Indonesia	**19,660**	19,259	2
Greater China	**64,404**	59,114	9
Other Asia Pacific	**13,595**	12,754	7
Rest of the World	**22,228**	18,091	23
	257,705	237,321	9

(1) 2018 exposure to investment and other holding companies were recategorised to the underlying industries.
(2) 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 customer loans were S$258 billion as at 31 December 2018, and was 9% higher as compared to a year ago. In constant currency terms, customer loans grew 8% year-on-year.

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 2018	**1,540**	**923**	**433**	**184**	**65.0**	**1,456**	**1.3**
31 Dec 2017	1,132	772	212	148	73.1	1,086	1.1
Malaysia							
31 Dec 2018	**806**	**395**	**369**	**42**	**70.9**	**803**	**2.7**
31 Dec 2017	862	485	335	42	77.4	857	3.0
Indonesia							
31 Dec 2018	**619**	**406**	**95**	**118**	**75.0**	**618**	**3.1**
31 Dec 2017	589	399	29	161	73.4	588	3.1
Greater China							
31 Dec 2018	**262**	**120**	**106**	**36**	**49.9**	**261**	**0.4**
31 Dec 2017	232	74	110	48	54.4	232	0.4
Other Asia Pacific							
31 Dec 2018	**176**	**158**	**18**	**0**	**57.3**	**165**	**1.2**
31 Dec 2017	252	223	29	–	68.7	252	2.0
Rest of the World							
31 Dec 2018	**535**	**354**	**180**	**1**	**66.5**	**535**	**2.4**
31 Dec 2017	401	386	13	2	97.3	400	2.2
Group							
31 Dec 2018	**3,938**	**2,356**	**1,201**	**381**	**66.7**	**3,838**	**1.5**
31 Dec 2017	3,468	2,339	728	401	75.5	3,415	1.5

(1) Comprise non-bank loans, debt securities and contingent liabilities.
(2) Exclude debt securities and contingent liabilities.

The Group's asset quality remained sound. Non-performing assets (NPAs) were S$3.94 billion as at 31 December 2018, and were 14% higher than S$3.47 billion a year ago. The year-on-year increase was led by loans to the general commerce sector.

The Group's NPL ratio was unchanged from a year ago at 1.5%. Of the total NPAs, 60% were in the substandard category and 67% were secured by collateral.

Non-Performing Assets (continued)

	2018		2017	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**555**	**6.2**	305	3.8
Manufacturing	**395**	**2.4**	304	2.4
Building and construction	**143**	**0.3**	59	0.2
Housing loans	**429**	**0.7**	392	0.6
General commerce	**676**	**2.0**	291	1.0
Transport, storage and communication	**1,328**	**9.5**	1,277	11.0
Financial institutions, investment and holding companies [(1)]	**38**	**0.2**	376	1.0
Professionals and individuals	**118**	**0.4**	146	0.5
Others	**156**	**1.2**	265	2.7
Total NPLs	**3,838**	**1.5**	3,415	1.5
Classified debt securities	**2**		35	
Classified contingent liabilities	**98**		18	
Total NPAs	**3,938**		3,468	

	2018		2017	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**1,225**	**31**	1,212	35
Over 90 to 180 days	**397**	**10**	257	8
30 to 90 days	**396**	**10**	313	9
Less than 30 days	**164**	**4**	48	1
Not overdue	**1,756**	**45**	1,638	47
	3,938	**100**	3,468	100

(1) 2018 exposure to investment and other holding companies were recategorised to the underlying industries.

Cumulative Allowances for Assets [1]

	Total cumulative allowances S$ million	Allowances for impaired assets [2] S$ million	Allowances for non-impaired assets [3] S$ million	Allowances for impaired assets as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
31 Dec 2018	**1,160**	**483**	**677**	**31.3**	**75.4**
31 Dec 2017	764	320	444	28.2	67.4
Malaysia					
31 Dec 2018	**552**	**333**	**219**	**41.3**	**68.5**
31 Dec 2017	618	340	278	39.4	71.8
Indonesia					
31 Dec 2018	**407**	**200**	**207**	**32.2**	**65.7**
31 Dec 2017	416	232	184	39.4	70.7
Greater China					
31 Dec 2018	**390**	**61**	**329**	**23.4**	**148.9**
31 Dec 2017	428	61	367	26.5	184.8
Other Asia Pacific					
31 Dec 2018	**45**	**2**	**43**	**1.4**	**25.8**
31 Dec 2017	194	111	83	44.1	77.0
Rest of the World					
31 Dec 2018	**215**	**142**	**73**	**26.6**	**40.1**
31 Dec 2017	246	185	61	46.2	61.4
Group					
31 Dec 2018	**2,769**	**1,221**	**1,548**	**31.0**	**70.3**
31 Dec 2017	2,666	1,249	1,417	36.0	76.9

(1) Included regulatory loss allowance reserve.
(2) Referred to as specific allowances in 2017.
(3) Referred to as portfolio allowances in 2017.

As at 31 December 2018, the Group's total cumulative allowances for assets were S$2.77 billion, comprising S$1.22 billion in allowances for impaired assets and S$1.55 billion in allowances for non-impaired assets. The cumulative allowances represented 211% of unsecured NPAs and 70% of total NPAs.

Management Discussion and Analysis

Deposits

	2018 S$ million	2017 S$ million	+/(-) %
Deposits of non-bank customers	**295,412**	283,642	4
Deposits and balances of banks	**7,576**	7,485	1
	302,988	291,127	4
Non-Bank Deposits By Product			
Fixed deposits	**131,610**	118,078	11
Savings deposits	**52,796**	51,817	2
Current account	**84,295**	87,773	(4)
Others	**26,711**	25,974	3
	295,412	283,642	4
Non-Bank Deposits By Currency			
Singapore Dollar	**105,327**	97,665	8
United States Dollar	**91,036**	93,415	(3)
Malaysian Ringgit	**23,297**	22,364	4
Indonesian Rupiah	**9,474**	8,206	15
Hong Kong Dollar	**28,428**	28,640	(1)
Chinese Renminbi	**7,674**	7,551	2
Others	**30,176**	25,801	17
	295,412	283,642	4

Non-bank customer deposits as at 31 December 2018 were S$295 billion, up 4% from a year ago. The ratio of current account and savings deposits to total non-bank deposits was 46.4% as at 31 December 2018. The Group's loans-to-deposits ratio was 86.4%, as compared to 82.5% a year ago.

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

	2018 S$ million	2017 S$ million	+/(-) %
Global Consumer/Private Banking	**1,318**	1,230	7
Global Corporate/Investment Banking	**1,825**	1,404	30
Global Treasury and Markets	**501**	482	4
OCBC Wing Hang	**497**	370	34
Insurance	**811**	1,144	(29)
Others	**145**	80	82
Operating profit after allowances and amortisation	**5,097**	4,710	8

(1) 2017 figures were restated with the adoption of SFRS(I).

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 rose 7% to S$1.32 billion in 2018, led 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 2018 operating profit after allowances was S$1.83 billion, 30% higher from S$1.40 billion a year ago, driven by an increase in net interest income and fee income, as well as lower allowances.

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 after allowances was S$501 million in 2018, a year-on-year increase of 4%. The operating profit growth was largely attributable to higher net trading income and lower allowances, partly offset by lower net interest 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 34% to S$497 million in 2018 from broad-based income growth, partly offset by an increase in allowances.

Insurance
The Group's insurance business, including its fund management activities, is undertaken by 87.9%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances from GEH fell by 29% to S$811 million in 2018. The year-on-year decline was mainly attributable to unrealised mark-to-market losses in its investment portfolio and the prior year also included substantially higher realised gains from the divestment of investment securities.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S$604 million in 2018, lower than S$863 million in 2017.

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

Management Discussion and Analysis

Performance by Geographical Segment

	2018		2017	
	S$ million	%	S$ million	%
Total income				
Singapore	**5,552**	**57**	5,683	60
Malaysia	**1,457**	**15**	1,328	14
Indonesia	**769**	**8**	808	8
Greater China	**1,477**	**15**	1,326	14
Other Asia Pacific	**212**	**2**	162	2
Rest of the World	**234**	**3**	221	2
	9,701	**100**	9,528	100
Profit before income tax				
Singapore	**2,975**	**54**	2,760	54
Malaysia	**913**	**16**	706	14
Indonesia	**354**	**6**	449	9
Greater China	**1,037**	**19**	978	19
Other Asia Pacific	**158**	**3**	119	2
Rest of the World	**115**	**2**	87	2
	5,552	**100**	5,099	100
Total assets				
Singapore	**271,142**	**58**	255,873	57
Malaysia	**66,173**	**14**	62,372	14
Indonesia	**16,481**	**4**	15,361	3
Greater China	**80,917**	**17**	85,757	19
Other Asia Pacific	**14,114**	**3**	13,399	3
Rest of the World	**18,716**	**4**	19,931	4
	467,543	**100**	452,693	100

(1) 2017 figures were restated with the adoption of SFRS(I).

The geographical segment analysis is based on the location where assets or transactions are booked. For 2018, Singapore accounted for 57% of total income and 54% of pre-tax profit, while Malaysia contributed 15% of total income and 16% of pre-tax profit. Indonesia comprised 8% of total income and 6% of pre-tax profit. Greater China made up for 15% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S$2.98 billion in 2018, an increase of 8% from S$2.76 billion a year ago, led by higher net interest income and lower allowances, which more than offset a decline in profit from life insurance. Malaysia's pre-tax profit was S$913 million, 29% higher than S$706 million in 2017, mainly attributable to net interest income growth and lower allowances. Pre-tax profit for Indonesia was S$354 million in 2018, 21% lower from a year ago, largely as a result of write-back of portfolio allowances in 2017. Pre-tax profit for Greater China increased 6% to S$1.04 billion driven by higher net interest income and trading income.

Capital Adequacy Ratios

The Group remains strongly capitalised, with a Common Equity Tier 1 capital adequacy ratio (CAR) of 14.0%, and Tier 1 and Total CAR of 14.8% and 16.4% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2018. 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 1.875% on 1 January 2018 and increases by 0.625% 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.

Directors' Statement

For the financial year ended 31 December 2018

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 2018.

In our opinion:

(a) the financial statements set out on pages 147 to 282 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 2018, 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 (International); 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
Lai Teck Poh
Lee Tih Shih
Pramukti Surjaudaja
Quah Wee Ghee
Tan Ngiap Joo
Wee Joo Yeow

Christina Hon Kwee Fong (Christina Ong), Quah Wee Ghee, Samuel N. Tsien and Tan Ngiap Joo 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.

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 31.12.2018	**At 1.1.2018**	**At 31.12.2018**	**At 1.1.2018**
BANK				
Ordinary shares				
Ooi Sang Kuang	**39,122**	32,366	**–**	–
Samuel N. Tsien	**1,378,675**	1,037,861	**–**	–
Christina Hon Kwee Fong (Christina Ong)	**11,484**	5,262	**–**	–
Chua Kim Chiu	**1,727**	–	**–**	–
Lai Teck Poh	**945,209**	920,944	**–**	–
Lee Tih Shih	**10,740,454**	10,526,908	**–**	–
Pramukti Surjaudaja	**63,671**	56,440	**–**	–
Quah Wee Ghee	**40,016**	33,242	**601**	589
Tan Ngiap Joo	**1,325,528**	1,293,913	**–**	–
Wee Joo Yeow	**59,808**	52,652	**4,794**	4,794
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**5,649,371** [2]	5,341,162 [3]	**–**	–
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Lee Tih Shih	**Nil** [4]	10,000	**–**	–
Quah Wee Ghee	**–**	–	**Nil** [4]	2,100

(1) Ordinary shares/preference shares held by spouse.

(2) Comprises: (i) options to acquire 5,034,060 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,445 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 608,866 unvested shares granted under the OCBC Deferred Share Plan.

(3) Comprises: (i) options to acquire 4,624,417 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,602 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 709,143 unvested shares granted under the OCBC Deferred Share Plan.

(4) All of the OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares were fully redeemed and cancelled on 20 September 2018.

Directors' Interests in Shares or Debentures (continued)

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 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 2019.

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 2008, 2009, 2010, 2011, 2012, 2013, 2013NED, 2014, 2015, 2015CT, 2015JL, 2016, 2016A, 2017, 2017SL and 2017DM were set out in the Directors' Reports/Directors' Statements for the financial years ended 31 December 2008 to 2017.

During the financial year, pursuant to the 2001 Scheme, options to acquire 6,868,764 ordinary shares at S$13.34 per ordinary share were granted to 289 eligible executives of the Group (2018 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.

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 2018 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2018 Outstanding	At 31.12.2018 Exercisable
2008	15.03.2009 to 13.03.2018	7.313	751,685	751,685	–	–
2009	17.03.2010 to 15.03.2019	4.024	271,725	271,725	413,009	413,009
2010	16.03.2011 to 14.03.2020	8.521	110,424	110,424	658,285	658,285
2011	15.03.2012 to 13.03.2021	9.093	38,768	38,768	858,227	858,227
2012	15.03.2013 to 13.03.2022	8.556	95,615	95,615	1,634,983	1,634,983
2013	15.03.2014 to 13.03.2023	10.018	622,172	622,172	4,110,323	4,110,323
2013NED	15.03.2014 to 13.03.2018	10.018	254,817	254,817	–	–
2014	15.03.2015 to 13.03.2024	9.169	165,034	165,034	3,055,661	3,055,661
2015	16.03.2016 to 15.03.2025	10.378	1,006,105	999,020	4,779,099	4,779,099
2015CT	30.06.2016 to 29.06.2025	10.254	–	–	31,779	31,779
2015JL	16.11.2016 to 15.11.2025	9.030	–	–	19,999	19,999
2016	16.03.2017 to 15.03.2026	8.814	752,520	745,172	7,462,397	4,456,234
2016A	16.03.2017 to 15.03.2026	8.814	44,834	44,834	85,202	38,200
2017	23.03.2018 to 22.03.2027	9.598	459,723	453,234	8,818,670	2,634,139
2017SL	04.08.2018 to 03.08.2027	11.378	–	–	18,943	6,251
2017DM	29.12.2018 to 28.12.2027	12.316	–	–	5,673	1,872
2018	22.03.2019 to 21.03.2028	13.340	–	–	6,670,278	–
			4,573,422	4,552,500	38,622,528	22,698,061

(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 2018, the Bank launched its thirteenth offering under the ESP Plan, which commenced on 1 July 2018 and will expire on 30 June 2020. Under the thirteenth offering, 6,792 employees enrolled to participate in the ESP Plan to acquire 8,051,064 ordinary shares at S$11.60 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 twelfth offerings under the ESP Plan were set out in the Directors' Reports/Directors' Statements for the financial years ended 31 December 2004 to 2017. During the financial year, 7,635,418 ordinary shares were delivered to participants under the ESP Plan. As at the end of the financial year, there were (i) 431 ordinary shares acquired at S$8.45 per ordinary share granted under the eleventh offering (which had expired on 30 June 2018) pending transfer to an employee, (ii) rights to acquire 5,915,649 ordinary shares at S$10.77 per ordinary share granted under the twelfth offering (which will expire on 30 June 2019) outstanding, and (iii) rights to acquire 7,455,002 ordinary shares at S$11.60 per ordinary share granted under the thirteenth offering (which will expire on 30 June 2020) 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 31.12.2018	Aggregate number of options/ rights granted since commencement of scheme/plan to 31.12.2018	Aggregate number of options exercised/rights converted since commencement of scheme/plan to 31.12.2018	Aggregate number of options/rights outstanding at 31.12.2018 (1)
2001 Scheme				
Samuel N. Tsien	409,643	5,746,795	712,735	5,034,060
ESP Plan				
Samuel N. Tsien	3,103	42,687	28,266 (2)	6,445

(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 2019.

(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 5,924,046 ordinary shares (including awards over 189,135 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2018. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2017, and interim dividend for the financial year ended 31 December 2018, resulting in an additional 522,950 ordinary shares being subject to awards under the DSP (including an additional 20,500 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, 6,509,474 deferred shares were released to grantees, of which 309,912 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
Christina Hon Kwee Fong (Christina Ong)
Lai Teck Poh
Tan Ngiap Joo

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 and/or 2018, as applicable. 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 including its tenure.

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. The Audit Committee notes that KPMG LLP have served as the Bank's external auditors since financial year 2006. In line with good corporate governance practice, the Audit Committee has nominated PricewaterhouseCoopers LLP for appointment as the Bank's external auditors in place of KPMG LLP for financial year 2020. The nomination was made following a tender process based on an established framework for the selection of external auditors. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 annual general meeting.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment at the forthcoming annual general meeting.

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
21 February 2019

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 2018, 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 147 to 282.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) 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 2018 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 30 to the Financial Statements.)	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2018, the Group's loans and bills receivable comprised 55% of Total Assets. SFRS(I) 9 "Financial Instruments", effective 1 January 2018, introduces the expected credit loss (ECL) impairment model. ECL applies to financial assets measured at amortised cost, amongst others. The Group had developed quantitative models to determine the ECL allowances for credit exposures. Significant judgement is applied in developing the models and in determining the relevant inputs and applicable assumptions.	*Non-credit impaired exposures* We tested the design, implementation and operating effectiveness of key controls surrounding the determination of ECL allowances. We involved our Information Technology (IT) specialists to test the (i) general IT controls over the ECL system, including user-acceptance-testing (UAT), access rights and change management controls, and (ii) specific IT controls over the accuracy and integrity of the data interface between the source systems and the ECL system. In order to ascertain the accuracy of key inputs into the ECL models, we checked a sample of exposures against source systems. We assessed the reasonableness of the criteria used for determining a "significant increase in credit risk".

Impairment of Loans and Bills Receivable **(Refer to Notes 9, 26, 28 and 30 to the Financial Statements.)** (continued)	
The key audit matter	*How the matter was addressed in our audit*
In respect of non-credit impaired exposures, significant judgement and assumptions are required in areas including: • Development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio; • Selection of criteria to determine whether a credit exposure has exhibited "significant increase in credit risk", thus requiring lifetime ECL allowance; and • Determination of relevant macroeconomic factors to incorporate into the models. In respect of credit-impaired exposures, management judgement and estimation are applied in (i) identifying impaired exposures; (ii) estimating the related recoverable amounts; and (iii) where applicable, determining collateral values and timing of expected cash flows. Macroeconomic policies and geopolitical events during 2018 introduced added complexity to the estimation of ECL allowances. The consequence of policy changes and geopolitical tensions are inherently difficult to predict and the impact is therefore difficult to model or quantify. As a result of the significance of loans and bills receivable and the related estimation uncertainty over ECL allowances, the impairment of loans and bills receivable is considered a key audit matter.	We involved our valuation specialists in the following areas: • review the robustness of the Group's model validation framework and the methodology applied, including the model performance testing conducted by the Group's model validation team; • assess the Group's ECL modelling methodology for a sample of key portfolios against the requirements of SFRS(I) 9; • apply statistical techniques on a sample of PD curves to assess the reasonableness of their calibration; • perform back-testing of LGD over key portfolios using actual loss experience; and • in respect of forward looking assumptions, review the appropriateness of management's macroeconomic forecast assumptions, including reasonableness of the regression analysis performed by the Group on the macroeconomic factors applied in the ECL models. We also assessed the reasonableness of the probability weighting of the economic scenarios applied. For a sample of credit exposures, we independently re-calculated the ECL allowance to test the mathematical accuracy of the modelled calculations produced by the ECL system. *Credit-impaired exposures* We tested the design, implementation and operating effectiveness of the key controls in place over credit grading, credit reviews and monitoring of credit-impaired exposures. In relation to key economic and geopolitical triggers, we assessed the Group's response in identifying credit-impaired exposures. For a sample of exposures, we performed credit file reviews to test the appropriateness of credit grading. On a sample of credit-impaired exposures, we challenged the Group's assumptions of the expected future cash inflows, including cash flows from operations, the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and other externally derived evidence. We found that the ECL allowances were within an acceptable range of estimates.

Valuation of Financial Instruments Held at Fair Value (Refer to Notes 18, 22, 24, 25, 29 and 41 to the Financial Statements.)	
The key audit matter	*How the matter was addressed in our audit*
The Group's financial instruments held at fair value comprised mainly debt and equity securities, government treasury bills and securities, and derivative contracts. Of the financial instruments carried at fair value in the Group's balance sheet as at 31 December 2018, the significant majority qualified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in financial markets or estimated based on financial models using market observable inputs, resulting in a lower valuation risk. The remaining financial instruments classified as Level 3 comprised mainly unlisted debt and equity investments and derivatives. The valuation of these instruments may involve complex models and the application of unobservable inputs, such as cash flow forecasts, discount rates and measures of volatility. The valuation of Level 3 financial instruments therefore typically requires a higher level of management judgement and the application of assumptions. As such, there is a greater degree of estimation uncertainty in the determination of the fair value of these instruments. The valuation of financial instruments held at fair value is considered a key audit matter in view of the management judgement and inherent subjectivity, increasing the risk of material misstatement of the Group's financial statements.	We obtained an understanding of the control environment and internal controls over the measurement of financial instruments at their fair values. We tested the operating effectiveness of the following key controls: • General IT controls over key valuation systems, including access rights and change management controls; • Specific IT controls, in particular, over the capture of complete and accurate external market data within the Group's valuation systems and the interface between transaction processing systems, valuation systems and financial reporting systems; • Controls over governance of valuation models, including model validation; and • Controls over independent price verification and month-end valuation adjustments. We reviewed a sample of the Group's financial instruments valuation models, evaluating the reasonableness of the modelling methodology, the inputs and assumptions being used. For a selection of pricing inputs, we checked that the inputs used were appropriately sourced (by comparing to independent market data) and accurately input into the valuation models and systems. We priced a sample of the Group's financial instruments held at fair value independently and compared the values to the Group's valuations. Additionally, we recalculated a sample of valuation adjustments as at year-end. For a sample of Level 3 instruments, we challenged 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 financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were appropriate. We found that the fair values of the Group's financial instruments were within an acceptable range of estimates.

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 conducted entirely 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. As changes in the assumptions used in the valuation of insurance contract liabilities could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement, the valuation of insurance contract liabilities is considered a key audit matter.	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 insurance contract liabilities. We reviewed GEH's auditors' work performed in relation to the design and operating effectiveness of GEH's controls over the valuation of insurance contract liabilities, including the determination and approval of actuarial assumptions. We involved our actuarial specialists in our discussions with GEH's auditors and in the following areas: • assess that GEH's auditors challenged management's methodologies and assumptions used in the valuation of insurance contract liabilities; and • assess the appropriateness of the methodologies, models and assumptions used against regulatory requirements and industry practices. 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 in the valuation of insurance contract liabilities were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.

<table>
<tr><th colspan="2">Impairment of Goodwill
(Refer to Note 37 to the Financial Statements.)</th></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>At 31 December 2018, 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 management judgement in application of methodologies and assumptions.

In respect of goodwill of banking CGUs amounting to $4.0 billion, the value-in-use method was used to determine the recoverable amount. In this aspect, significant judgement and key assumptions include:
• Methodology and inputs used to calculate the appropriate discount rate;
• Determination of the terminal growth rate; and
• Projections of the future cash flows.

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 include:
• Risk-adjusted discount rates; and
• Investment return rates.

As a result of the significance of the goodwill amount and the judgement and subjectivity involved in estimating the recoverable amounts, the impairment of goodwill is considered a key audit matter.</td><td>We assessed the appropriateness of management's identification of the Group's CGUs and whether it reflects our understanding of the business and its operations.

Banking CGUs
We assessed management's future cash flow projections for consistency with operating plans and back-tested prior year's cash flow forecasts against historical cash flows.

We involved our valuation specialists to assess the methodologies applied and assumptions used for deriving:
• discount rate by independently estimating the discount rate using external data sources for risk free rates, beta, market risk premium, country risk premium and small capitalisation premium; and
• terminal growth rate by comparing the rates to market data and inflation rates based on the CGU's country of operation.

We performed sensitivity analysis on the future cash flows, discount rates and terminal growth rates.

Insurance CGU
We involved our actuarial specialists to assess the reasonableness of management's significant assumptions including discount rates and investment returns rates used in the estimation of appraisal value.

We performed sensitivity analysis on the impact of change in key assumptions.

Based on our procedures performed, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.</td></tr>
</table>

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 the information captioned Message from Chairman and CEO, Our Well-Diversified Business, 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 SFRS(I)s, 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 financial statements 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.

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.

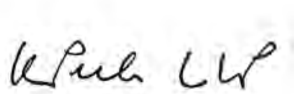
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

21 February 2019

Income Statements

For the financial year ended 31 December 2018

		GROUP		BANK	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest income		**11,049,278**	9,118,036	**6,455,902**	5,046,548
Interest expense		**(5,159,168)**	(3,694,914)	**(3,259,426)**	(2,169,170)
Net interest income	3	**5,890,110**	5,423,122	**3,196,476**	2,877,378
Premium income		**11,673,592**	12,117,323	**–**	–
Investment income		**68,978**	4,116,594	**–**	–
Net claims, surrenders and annuities		**(6,265,554)**	(5,339,253)	**–**	–
Change in life insurance fund contract liabilities		**(3,183,414)**	(8,216,252)	**–**	–
Commission and others		**(1,553,920)**	(1,910,788)	**–**	–
Profit from life insurance	4	**739,682**	767,624	**–**	–
Premium income from general insurance		**171,545**	149,753	**–**	–
Fees and commissions (net)	5	**2,030,927**	1,952,516	**942,760**	908,564
Dividends	6	**127,564**	76,383	**1,414,441**	559,053
Rental income		**79,560**	83,065	**53,877**	52,965
Other income	7	**661,513**	1,075,323	**548,706**	505,446
Non-interest income		**3,810,791**	4,104,664	**2,959,784**	2,026,028
Total income		**9,700,901**	9,527,786	**6,156,260**	4,903,406
Staff costs		**(2,606,231)**	(2,470,683)	**(929,749)**	(851,833)
Other operating expenses		**(1,608,034)**	(1,571,719)	**(977,609)**	(919,268)
Total operating expenses	8	**(4,214,265)**	(4,042,402)	**(1,907,358)**	(1,771,101)
Operating profit before allowances and amortisation		**5,486,636**	5,485,384	**4,248,902**	3,132,305
Amortisation of intangible assets	37	**(102,176)**	(103,829)	**–**	–
Allowances for loans and other assets	9	**(287,513)**	(671,548)	**(154,503)**	(708,255)
Operating profit after allowances and amortisation		**5,096,947**	4,710,007	**4,094,399**	2,424,050
Share of results of associates		**455,463**	389,221	**–**	–
Profit before income tax		**5,552,410**	5,099,228	**4,094,399**	2,424,050
Income tax expense	10	**(877,184)**	(802,945)	**(417,696)**	(331,727)
Profit for the year		**4,675,226**	4,296,283	**3,676,703**	2,092,323
Attributable to:					
Equity holders of the Bank		**4,491,994**	4,044,698		
Non-controlling interests		**183,232**	251,585		
		4,675,226	4,296,283		
Earnings per share ($)	11				
Basic		**1.06**	0.95		
Diluted		**1.06**	0.95		

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2018

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit for the year	**4,675,226**	4,296,283	**3,676,703**	2,092,323
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Financial assets, at FVOCI/available-for-sale				
Fair value (losses)/gains for the year	**(288,434)**	563,494	**(62,715)**	42,109
Reclassification of (gains)/losses to income statement				
- on disposal	**(11,605)**	(405,385)	**(10,754)**	(61,632)
- on impairment	**(25,926)**	50,389	**(26,154)**	21,888
Tax on net movements	**45,794**	(13,411)	**3,728**	1,543
Cash flow hedges	**841**	(76)	**(322)**	–
Currency translation on foreign operations	**(133,611)**	(529,352)	**(27,380)**	(73,192)
Other comprehensive income of associates	**15,594**	(143,686)	**–**	–
Items that will not be reclassified subsequently to income statement:				
Financial assets, at FVOCI, net change in fair value	**(264,419)**	–	**(22,664)**	–
Defined benefit plans remeasurements	**5,979**	(1,891)	**17**	(30)
Own credit	**(5,570)**	–	**(5,570)**	–
Total other comprehensive income, net of tax	**(661,357)**	(479,918)	**(151,814)**	(69,314)
Total comprehensive income for the year, net of tax	**4,013,869**	3,816,365	**3,524,889**	2,023,009
Total comprehensive income attributable to:				
Equity holders of the Bank	**3,910,373**	3,565,841		
Non-controlling interests	**103,496**	250,524		
	4,013,869	3,816,365		

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2018

	Note	GROUP 31 December 2018 $'000	GROUP 31 December 2017 $'000	GROUP 1 January 2017 $'000	BANK 31 December 2018 $'000	BANK 31 December 2017 $'000	BANK 1 January 2017 $'000
EQUITY							
Attributable to equity holders of the Bank							
Share capital	13.1	**15,750,417**	15,136,347	15,106,818	**15,750,417**	15,136,347	15,106,818
Other equity instruments	13.5	**1,496,974**	499,143	499,143	**1,496,974**	499,143	499,143
Capital reserves	14	**930,432**	361,443	571,850	**638,887**	98,794	105,678
Fair value reserves		**(66,541)**	352,071	286,375	**(81,047)**	11,536	7,628
Revenue reserves	15	**24,025,592**	22,679,463	20,557,150	**13,491,053**	13,016,975	12,562,210
		42,136,874	39,028,467	37,021,336	**31,296,284**	28,762,795	28,281,477
Non-controlling interests	16	**1,254,842**	2,765,500	2,631,919	**–**	–	–
Total equity		**43,391,716**	41,793,967	39,653,255	**31,296,284**	28,762,795	28,281,477
LIABILITIES							
Deposits of non-bank customers	17	**295,412,049**	283,642,169	261,485,862	**183,600,010**	178,146,088	155,752,937
Deposits and balances of banks	17	**7,576,453**	7,485,428	10,739,590	**6,350,256**	6,084,643	9,090,295
Due to subsidiaries		**–**	–	–	**20,937,784**	16,301,146	16,288,469
Due to associates		**366,088**	220,427	205,805	**141,863**	103,091	127,470
Trading portfolio liabilities		**214,168**	621,531	597,699	**214,168**	621,531	580,499
Derivative payables	18	**7,104,590**	6,453,975	7,474,158	**5,251,769**	4,988,635	6,008,300
Other liabilities	19	**5,812,662**	6,065,273	5,590,666	**1,824,498**	1,855,470	1,747,020
Current tax payables		**1,013,756**	1,106,854	919,509	**367,314**	440,072	387,930
Deferred tax liabilities	20	**1,451,016**	1,515,820	1,258,408	**181,343**	54,164	51,111
Debt issued	21	**30,272,111**	32,234,746	19,947,379	**28,811,694**	32,498,457	19,531,523
		349,222,893	339,346,223	308,219,076	**247,680,699**	241,093,297	209,565,554
Life insurance fund liabilities	22	**74,928,381**	71,553,295	60,594,021	**–**	–	–
Total liabilities		**424,151,274**	410,899,518	368,813,097	**247,680,699**	241,093,297	209,565,554
Total equity and liabilities		**467,542,990**	452,693,485	408,466,352	**278,976,983**	269,856,092	237,847,031
ASSETS							
Cash and placements with central banks	23	**18,748,084**	19,594,423	16,559,463	**13,740,086**	14,354,645	11,364,749
Singapore government treasury bills and securities	24	**9,610,553**	9,839,981	8,065,895	**8,972,764**	9,088,748	7,702,246
Other government treasury bills and securities	24	**18,165,395**	17,630,901	16,298,540	**8,259,151**	8,443,962	7,164,636
Placements with and loans to banks	25	**39,034,945**	49,377,355	39,800,684	**29,063,987**	34,755,842	31,209,763
Loans and bills receivable	26	**255,193,115**	234,141,458	216,830,182	**156,896,636**	143,516,487	131,873,755
Debt and equity securities	29	**25,542,507**	24,921,132	23,156,669	**11,972,610**	13,573,335	11,612,196
Assets pledged	46.1	**1,104,573**	1,055,539	1,788,915	**1,007,348**	741,352	935,930
Assets held for sale	47	**1,831**	38,559	28,035	**–**	1,590	1,150
Derivative receivables	18	**7,200,942**	6,385,941	7,837,609	**5,331,188**	5,117,121	6,351,588
Other assets	31	**3,475,256**	3,436,668	3,502,657	**1,657,504**	1,471,946	1,591,121
Deferred tax assets	20	**105,512**	143,203	165,521	**28,305**	64,626	64,280
Associates	33	**3,182,814**	2,759,529	2,415,468	**1,386,715**	890,728	594,532
Subsidiaries	34	**–**	–	–	**37,691,985**	34,823,916	24,333,259
Property, plant and equipment	35	**3,337,436**	3,332,119	3,478,656	**576,943**	614,363	648,849
Investment property	36	**880,488**	949,466	1,092,918	**524,585**	530,255	531,801
Goodwill and intangible assets	37	**5,092,538**	5,159,840	5,472,846	**1,867,176**	1,867,176	1,867,176
		390,675,989	378,766,114	346,494,058	**278,976,983**	269,856,092	237,847,031
Life insurance fund investment assets	22	**76,867,001**	73,927,371	61,972,294	**–**	–	–
Total assets		**467,542,990**	452,693,485	408,466,352	**278,976,983**	269,856,092	237,847,031

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity - Group

For the financial year ended 31 December 2018

	Attributable to equity holders of the Bank						
In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	**15,635,490**	**361,443**	**352,071**	**22,679,463**	**39,028,467**	**2,765,500**	**41,793,967**
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	–	353,667	(100,455)	(13,643)	239,569	69	239,638
Adjusted balance at 1 January 2018	**15,635,490**	**715,110**	**251,616**	**22,665,820**	**39,268,036**	**2,765,569**	**42,033,605**
Total comprehensive income for the year							
Profit for the year	–	–	–	4,491,994	4,491,994	183,232	4,675,226
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value losses for the year	–	–	(252,988)	–	(252,988)	(35,446)	(288,434)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(12,221)	–	(12,221)	616	(11,605)
- on impairment	–	–	(25,422)	–	(25,422)	(504)	(25,926)
Tax on net movements	–	–	39,696	–	39,696	6,098	45,794
Cash flow hedges	–	–	–	841	841	–	841
Currency translation on foreign operations	–	–	–	(116,841)	(116,841)	(16,770)	(133,611)
Other comprehensive income of associates	–	–	100,262	(84,668)	15,594	–	15,594
Items that will not be reclassified subsequently to income statement:							
Financial assets, at FVOCI, net change in fair value	–	–	(188,207)	(41,599)	(229,806)	(34,613)	(264,419)
Defined benefit plans remeasurements	–	–	–	5,096	5,096	883	5,979
Own credit	–	–	–	(5,570)	(5,570)	–	(5,570)
Total other comprehensive income, net of tax	–	–	(338,880)	(242,741)	(581,621)	(79,736)	(661,357)
Total comprehensive income for the year	–	–	(338,880)	4,249,253	3,910,373	103,496	4,013,869
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	13,599	208,511	–	(222,110)	–	–	–
Dividends and distribution	–	–	–	(1,014,834)	(1,014,834)	(116,632)	(1,131,466)
DSP reserve from dividends on unvested shares	–	–	–	6,611	6,611	–	6,611
Perpetual capital securities issued	997,831	–	–	–	997,831	–	997,831
Redemption of preference shares issued	–	–	–	(1,000,000)	(1,000,000)	(1,500,000)	(2,500,000)
Share-based payments for staff costs	–	19,883	–	–	19,883	–	19,883
Share buyback held in treasury	(214,693)	–	–	–	(214,693)	–	(214,693)
Shares issued in lieu of ordinary dividends	637,929	–	–	(637,929)	–	–	–
Shares issued to non-executive directors	735	–	–	–	735	–	735
Shares transferred to DSP Trust	–	(6,124)	–	–	(6,124)	–	(6,124)
Shares vested under DSP Scheme	–	62,976	–	–	62,976	–	62,976
Treasury shares transferred/sold	176,500	(69,924)	–	–	106,576	–	106,576
Others	–	–	20,723	(23,991)	(3,268)	2,855	(413)
Total contributions by and distributions to owners	1,611,901	215,322	20,723	(2,892,253)	(1,044,307)	(1,613,777)	(2,658,084)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	2,772	2,772	(446)	2,326
Total changes in interests in subsidiaries	–	–	–	2,772	2,772	(446)	2,326
Balance at 31 December 2018	17,247,391	930,432	(66,541)	24,025,592	42,136,874	1,254,842	43,391,716
Included in the balances:							
Share of reserves of associates	–	–	25,522	1,166,869	1,192,391	–	1,192,391

(1) Including regulatory loss allowance reserve of $342 million at 1 January 2018 and $534 million at 31 December 2018.

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 form an integral part of these financial statements.

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2017	15,605,961	571,850	286,375	20,557,150	37,021,336	2,631,919	39,653,255
Total comprehensive income for the year							
Profit for the year	–	–	–	4,044,698	4,044,698	251,585	4,296,283
Other comprehensive income							
Available-for-sale financial assets							
Fair value gains for the year	–	–	503,768	–	503,768	59,726	563,494
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	–	–	–	(508,375)	(508,375)	(20,977)	(529,352)
Other comprehensive income of associates	–	–	(109,526)	(34,123)	(143,649)	(37)	(143,686)
Total other comprehensive income, net of tax	–	–	65,326	(544,183)	(478,857)	(1,061)	(479,918)
Total comprehensive income for the year	–	–	65,326	3,500,515	3,565,841	250,524	3,816,365
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	21,691	(215,334)	–	193,643	–	–	–
Dividends and distribution	–	–	–	(1,570,230)	(1,570,230)	(107,201)	(1,677,431)
DSP reserve from dividends on unvested shares	–	–	–	5,894	5,894	–	5,894
Share-based payments for staff costs	–	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 interests in subsidiaries that do not result in loss of control	–	–	370	(7,509)	(7,139)	(9,742)	(16,881)
Total changes in interests in subsidiaries	–	–	370	(7,509)	(7,139)	(9,742)	(16,881)
Balance at 31 December 2017	15,635,490	361,443	352,071	22,679,463	39,028,467	2,765,500	41,793,967
Included in the balances:							
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 form an integral part of these financial statements.

Statement of Changes in Equity - Bank

For the financial year ended 31 December 2018

In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2018	**15,635,490**	**98,794**	**11,536**	**13,016,975**	**28,762,795**
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	**–**	**122,855**	**28,329**	**(114,617)**	**36,567**
Adjusted balance at 1 January 2018	**15,635,490**	**221,649**	**39,865**	**12,902,358**	**28,799,362**
Profit for the year	**–**	**–**	**–**	**3,676,703**	**3,676,703**
Other comprehensive income	**–**	**–**	**(120,912)**	**(30,902)**	**(151,814)**
Total comprehensive income for the year [2]	**–**	**–**	**(120,912)**	**3,645,801**	**3,524,889**
Transfers	**13,599**	**397,355**	**–**	**(410,954)**	**–**
Dividends and distribution	**–**	**–**	**–**	**(1,014,834)**	**(1,014,834)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**6,611**	**6,611**
Perpetual capital securities issued	**997,831**	**–**	**–**	**–**	**997,831**
Redemption of preference shares issued	**–**	**–**	**–**	**(1,000,000)**	**(1,000,000)**
Share-based payments for staff costs	**–**	**19,883**	**–**	**–**	**19,883**
Share buyback held in treasury	**(214,693)**	**–**	**–**	**–**	**(214,693)**
Shares issued in lieu of ordinary dividends	**637,929**	**–**	**–**	**(637,929)**	**–**
Shares issued to non-executive directors	**735**	**–**	**–**	**–**	**735**
Treasury shares transferred/sold	**176,500**	**–**	**–**	**–**	**176,500**
Balance at 31 December 2018	**17,247,391**	**638,887**	**(81,047)**	**13,491,053**	**31,296,284**
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 [2]	–	–	3,908	2,019,101	2,023,009
Transfers	21,691	(21,691)	–	–	–
Dividends and distribution	–	–	–	(1,570,230)	(1,570,230)
DSP reserve from dividends on unvested shares	–	–	–	5,894	5,894
Share-based payments for staff costs	–	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

(1) Including regulatory loss allowance reserve of $123 million at 1 January 2018 and $534 million at 31 December 2018.
(2) 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 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2018

In $'000	2018	2017
Cash flows from operating activities		
Profit before income tax	**5,552,410**	5,099,228
Adjustments for non-cash items:		
Allowances for loans and other assets	**287,513**	671,548
Amortisation of intangible assets	**102,176**	103,829
Change in hedging transactions, trading, fair value through profit or loss securities and debt issued	**392,087**	29,963
Depreciation of property, plant and equipment and investment property	**316,644**	314,693
Net gain on disposal of government, debt and equity securities	**(16,256)**	(431,487)
Net gain on disposal of property, plant and equipment and investment property	**(45,791)**	(56,578)
Net gain on disposal of interests in subsidiaries and associates	**(7,982)**	(33,589)
Share-based costs	**65,802**	55,954
Share of results of associates	**(455,463)**	(389,221)
Items relating to life insurance fund		
Surplus before income tax	**790,605**	1,252,177
Surplus transferred from life insurance fund	**(739,682)**	(767,624)
Operating profit before change in operating assets and liabilities	**6,242,063**	5,848,893
Change in operating assets and liabilities:		
Deposits of non-bank customers	**11,915,531**	19,701,967
Deposits and balances of banks	**91,025**	(3,254,162)
Derivative payables and other liabilities	**453,624**	(2,067,619)
Trading portfolio liabilities	**(407,363)**	23,832
Restricted balances with central banks	**394,947**	(376,892)
Government securities and treasury bills	**(344,692)**	(3,049,927)
Trading and fair value through profit or loss securities	**586,621**	(562,097)
Placements with and loans to banks	**10,411,652**	(9,223,392)
Loans and bills receivable	**(20,807,039)**	(15,916,703)
Derivative receivables and other assets	**(1,161,136)**	2,140,792
Net change in investment assets and liabilities of life insurance fund	**448,747**	(753,965)
Cash provided by/(used in) operating activities	**7,823,980**	(7,489,273)
Income tax paid	**(1,084,642)**	(680,982)
Net cash provided by/(used in) operating activities	**6,739,338**	(8,170,255)
Cash flows from investing activities		
Acquisitions, net of cash acquired (Notes 34.3 and 34.4)	**–**	396,392
Dividends from associates	**88,491**	63,068
Investments in associates	**(88,586)**	(364,433)
Purchases of debt and equity securities	**(13,970,842)**	(20,899,332)
Purchases of property, plant and equipment and investment property	**(297,197)**	(263,339)
Proceeds from disposal of debt and equity securities	**11,941,263**	20,084,228
Proceeds from disposal of interests in subsidiaries and associates	**8,744**	61,595
Proceeds from disposal of property, plant and equipment and investment property	**59,741**	94,250
Net cash used in investing activities	**(2,258,386)**	(827,571)
Cash flows from financing activities		
Acquisition of non-controlling interests	**(50)**	(17,077)
Dividends and distribution paid	**(1,134,534)**	(1,674,363)
Net (redemption)/issuance of other debt issued (Note 21.6)	**(634,574)**	15,242,983
Net proceeds from perpetual capital securities issued	**997,831**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**106,576**	178,351
Redemption of preference shares issued	**(2,500,000)**	–
Redemption of subordinated debt issued (Note 21.6)	**(1,314,217)**	(1,521,099)
Buy-back of shares held as treasury shares	**(214,693)**	(223,912)
Net cash (used in)/provided by financing activities	**(4,693,661)**	11,984,883
Net currency translation adjustments	**(236,367)**	(328,989)
Net change in cash and cash equivalents	**(449,076)**	2,658,068
Cash and cash equivalents at 1 January	**13,834,597**	11,176,529
Cash and cash equivalents at 31 December (Note 23)	**13,385,521**	13,834,597

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2018

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 21 February 2019.

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 insurance, 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 (International) (SFRS(I)) including SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* as required by the Singapore Companies Act (the Act).

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.

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 Securities Trading Limited, 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 SFRS(I) in 2017 for local implementation. SFRS(I) are equivalent of the International Financial Reporting Standards.

The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (FRS), 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).

On initial implementation of SFRS(I), the Group was required to apply the specific transition requirements in SFRS(I) 1. SFRS(I) requires financial statements to be prepared using accounting policies that comply with SFRS(I) effective for the financial year ending 31 December 2018. Full retrospective application of all SFRS(I) effective for the financial year ending 31 December 2018 was required, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. In this regard, the date of transition to SFRS(I) for the Group was 1 January 2017, being the beginning of the earliest comparative period. The Group elected to apply the exemptions granted under SFRS(I) 1 to not restate the financial information of its comparative period in respect to financial instruments.

The effects of the adoption of new accounting framework SFRS(I) and change in Great Eastern Holdings Limited (GEH) accounting policy are described in Note 2.2.

The preparation of financial statements in conformity with SFRS(I) 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 2.25.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from 1 January 2018:

SFRS(I)	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*

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, except for the adoption of new accounting framework SFRS(I) 1 and SFRS(I) 9 as disclosed in Note 2.2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change

(A) Optional Exemptions Applied

First-time adoption of new accounting framework SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group applied the following exemptions in the preparation of its first set of financial statement in accordance with SFRS(I) 1.

Except as described below, the application of the optional exemptions in SFRS(I) did not have any significant impact on the financial statements.

(i) Foreign Currency Translation Reserve (FCTR)

The Group elected to apply the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition. At 1 January 2017, the cumulative FCTR of $0.9 billion recognised by the Group, which was determined in accordance with FRS, was 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.

(ii) Adoption of SFRS(I) 9 *Financial Instruments*

The date of transition to SFRS(I) 9 was 1 January 2018, as the Group elected to apply the exemptions granted under SFRS(I) 1 to not restate the financial information of its comparative period in respect of financial instruments. The Group was also exempted from the application of SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent the disclosures relate to items in scope of SFRS(I) 9.

The Group, as first-time adopter of SFRS(I), was required to recognise the cumulative effect of adopting SFRS(I) 9 in revenue reserves as at 1 January 2018.

(iii) Adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group elected to apply the transitional provisions in SFRS(I) 1 and applied the following practical expedients:

- For completed contracts with variable considerations, the Group used the transaction price at the date the contract was completed and did not re-estimate the variable considerations in the comparative period retrospectively;
- For contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- For the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expected to recognise the revenue.

(iv) Business Combination

The Group applied the optional exemption in SFRS(I) 1 which allowed it to account for business combinations that occurred before the date of transition on 1 January 2017, and the associated fair value adjustments and goodwill, on the same basis as the previously applied FRS.

Accordingly, SFRS(I) 3 *Business Combinations* and SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* had not been applied to these past business combinations.

(v) Leases

The Group had applied the transitional provision in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease* and determined whether its arrangement contained a lease arrangement based on existing facts and circumstances on the date of transition to SFRS(I).

(vi) Other Optional Exemptions

- The Group elected the optional exemption in SFRS(I) 1 to be exempted from retrospective application of SFRS(I) 2 *Share-based Payment* on share-based payments that were granted on or before 7 November 2002 but vested before the date of transition, or liabilities arising from cash-settled share-based payment transactions that were settled before the date of transition.
- The Group elected the optional exemption in SFRS(I) 1 to be exempted from retrospective application of SFRS(I) 1-32 *Financial Instruments* to separate equity and liability components of compound instruments for which liability component is no longer outstanding at the date of transition.
- SFRS(I) 1 provides transitional relief from retrospective application of the fair value measurement requirements in respect of the recognition of 'day one' gains or losses. The Group elected the optional exemption and therefore prospectively apply the fair value measurement requirements provided in SFRS(I) 9 to transactions entered into on or after the date of transition.
- The Group elected to apply SFRS(I) INT 19 *Extinguishing Financial Liabilities with Equity Instruments* for extinguishments that occurred from the beginning of the earliest comparative period.

(B) GEH Accounting Policy Change

(i) Adoption of Enterprise Wide Accounting Basis

GEH and its subsidiaries, changed its basis for the preparation of the financial statements from fund accounting basis to an enterprise wide basis for comparability to industry practices. Under the fund accounting basis, GEH Group presented the Shareholders' Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement separately. The three Statements are now presented as a single Profit and Loss Statement under enterprise wide basis. With the adoption of enterprise wide basis, the insurance fund profit is no longer determined in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operates, but now align with SFRS(I) instead.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(B) GEH Accounting Policy Change (continued)

(ii) Change in Basis for Determination of Insurance Fund Profit

The impact to Profit Attributable to Shareholders on adoption of SFRS(I) was mainly due to the different basis in determining insurance fund profit. Previously, insurance fund profit of the non-participating and investment-linked funds was determined in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. Under the insurance regulations, the majority of the changes in fair value of assets are recognised in the income statement of the Insurance Funds; while under SFRS(I)/FRS, the insurance fund investments were mainly classified as fair value through other comprehensive income (FVOCI)/available-for-sale (AFS) financial assets with changes in fair value recognised through fair value reserve.

(iii) Elimination of Intra-Group Balances and Transactions

Previously, intra-group balances, income and expenses between Shareholders', Life and General Insurance Funds were not eliminated as the Group prepared its financial statements on fund accounting basis. With the change in basis for preparation to an enterprise wide basis, these balances and transactions are eliminated.

Transition impacts on balance sheet and income statement of the Group are disclosed in Note 2.2 (C).

(C) Impact of New Accounting Framework and Policies

(i) Consolidated Balance Sheet Restated Under SFRS(I) as at 1 January 2017

		Increase/(decrease)		
$ million	**1 January 2017 as previously reported**	**Effect of SFRS(I) 1**	**Effect of GEH accounting policy change**	**1 January 2017 restated under SFRS(I)**
Balance sheets - Group				
EQUITY				
Attributable to equity holders of the Bank:				
Share capital	15,107	–	–	**15,107**
Other equity instruments	499	–	–	**499**
Capital reserves	572	–	–	**572**
Fair value reserves	156	–	130	**286**
Revenue reserves	20,673	31	(148)	**20,556**
	37,007	31	(18)	**37,020**
Non-controlling interests	2,635	(1)	(2)	**2,632**
Total equity	39,642	30	(20)	**39,652**
LIABILITIES				
Other liabilities	5,591	–	#	**5,591**
Current tax payables	915	5	–	**920**
Deferred tax liabilities	1,325	(66)	–	**1,259**
Life insurance fund liabilities	61,961	–	(1,367)	**60,594**
Others	300,450	–	–	**300,450**
Total liabilities	370,242	(61)	(1,367)	**368,814**
ASSETS				
Cash and placements with central banks	16,559	–	–	**16,559**
Other government treasury bills and securities	16,299	–	–	**16,299**
Placements with and loans to banks	39,801	–	–	**39,801**
Loans and bills receivable	216,830	–	–	**216,830**
Debt and equity securities	23,157	–	–	**23,157**
Other assets	4,889	–	(1,387)	**3,502**
Deferred tax assets	196	(31)	–	**165**
Life insurance fund investment assets	61,972	–	–	**61,972**
Others	30,181	–	–	**30,181**
Total assets	409,884	(31)	(1,387)	**408,466**

[1] # represents amounts less than $0.5 million.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(C) Impact of New Accounting Framework and Policies (continued)

(ii) Consolidated Balance Sheet Restated Under SFRS(I) as at 31 December 2017 and 1 January 2018

		Increase/(decrease)				
$ million	31 December 2017 as previously reported	Effect of SFRS(I) 1	Effect of GEH accounting policy change	31 December 2017 restated under SFRS(I)	Effect of SFRS(I) 9 and revised MAS 612	1 January 2018 restated under SFRS(I)
Balance sheets - Group						
EQUITY						
Attributable to equity holders of the Bank:						
Share capital	15,136	–	–	**15,136**	–	**15,136**
Other equity instruments	499	–	–	**499**	–	**499**
Capital reserves	361	–	–	**361**	354 [1]	**715** [1]
Fair value reserves	120	–	232	**352**	(101)	**251**
Revenue reserves	22,892	31	(243)	**22,680**	(13)	**22,667**
	39,008	31	(11)	**39,028**	240	**39,268**
Non-controlling interests	2,768	(1)	(2)	**2,765**	#	**2,765**
Total equity	41,776	30	(13)	**41,793**	240	**42,033**
LIABILITIES						
Other liabilities	6,065	–	1	**6,066**	#	**6,066**
Current tax payables	1,102	5	–	**1,107**	25	**1,132**
Deferred tax liabilities	1,582	(66)	–	**1,516**	(10)	**1,506**
Life insurance fund liabilities	73,755	–	(2,202)	**71,553**	(5)	**71,548**
Others	330,658	–	–	**330,658**	–	**330,658**
Total liabilities	413,162	(61)	(2,201)	**410,900**	10	**410,910**
ASSETS						
Cash and placements with central banks	19,594	–	–	**19,594**	(5)	**19,589**
Other government treasury bills and securities	17,631	–	–	**17,631**	(1)	**17,630**
Placements with and loans to banks	49,377	–	–	**49,377**	(7)	**49,370**
Loans and bills receivable	234,141	–	–	**234,141**	330	**234,471**
Debt and equity securities	24,921	–	–	**24,921**	(6)	**24,915**
Other assets	5,651	–	(2,214)	**3,437**	#	**3,437**
Deferred tax assets	174	(31)	–	**143**	(56)	**87**
Life insurance fund investment assets	73,927	–	–	**73,927**	(5)	**73,922**
Others	29,522	–	–	**29,522**	–	**29,522**
Total assets	454,938	(31)	(2,214)	**452,693**	250	**452,943**

(1) Including regulatory loss allowance reserve of $342 million.
(2) # represents amounts less than $0.5 million.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(C) Impact of New Accounting Framework and Policies (continued)

(iii) Consolidated Income Statement Restated Under SFRS(I) for the Year Ended 31 December 2017

$ million	FRS framework	Increase/(decrease) Effect of SFRS(I) 1	Increase/(decrease) Effect of GEH accounting policy change	SFRS(I) framework
FY 2017				
Income statements - Group				
Other income	1,074	1	–	1,075
Profit from life insurance	876	–	(109)	767
Operating expenses	4,034	8	1	4,043
Profit for the year	4,413	(7)	(110)	4,296
Statements of comprehensive income - Group				
Other comprehensive income	(603)	7	116	(480)
Total comprehensive income	3,810	–	6	3,816

(iv) Bank Balance Sheet Restated Under SFRS(I) as at 1 January 2017, 31 December 2017 and 1 January 2018

$ million	1 January 2017 - as previously reported	Increase/(decrease) Effect of SFRS(I) 1 [1]	1 January 2017 - restated under SFRS(I)	31 December 2017 - as previously reported	Increase/(decrease) Effect of SFRS(I) 1 [1]	31 December 2017 - restated under SFRS(I)	Increase/(decrease) Effect of SFRS(I) 9 and revised MAS 612	1 January 2018 - restated under SFRS(I)
Balance sheets - Bank								
EQUITY								
Attributable to equity holders of the Bank:								
Share capital	15,107	–	**15,107**	15,136	–	**15,136**	–	**15,136**
Other equity instruments	499	–	**499**	499	–	**499**	–	**499**
Capital reserves	106	–	**106**	99	–	**99**	123 [2]	**222** [2]
Fair value reserves	7	–	**7**	12	–	**12**	28	**40**
Revenue reserves	12,562	–	**12,562**	13,017	–	**13,017**	(115)	**12,902**
Total equity	28,281	–	**28,281**	28,763	–	**28,763**	36	**28,799**
LIABILITIES								
Deferred tax liabilities	51	–	**51**	54	–	**54**	18	**72**
Others	209,515	–	**209,515**	241,039	–	**241,039**	–	**241,039**
Total liabilities	209,566	–	**209,566**	241,093	–	**241,093**	18	**241,111**
ASSETS								
Cash and placements with central banks	11,365	–	**11,365**	14,355	–	**14,355**	(5)	**14,350**
Other government treasury bills and securities	7,165	–	**7,165**	8,444	–	**8,444**	(1)	**8,443**
Placements with and loans to banks	31,210	–	**31,210**	34,756	–	**34,756**	(6)	**34,750**
Loans and bills receivable	131,874	–	**131,874**	143,516	–	**143,516**	99	**143,615**
Debt and equity securities	11,612	–	**11,612**	13,573	–	**13,573**	(#)	**13,573**
Deferred tax assets	64	–	**64**	65	–	**65**	(33)	**32**
Others	44,557	–	**44,557**	55,147	–	**55,147**	–	**55,147**
Total assets	237,847	–	**237,847**	269,856	–	**269,856**	54	**269,910**

(1) Including a reclassification, within revenue reserves, of a negative balance of $149 million from cumulative FCTR to unappropriated profit.
(2) Including regulatory loss allowance reserve of $123 million.
(3) # represents amounts less than $0.5 million.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(D) SFRS(I) 9 *Financial Instruments*

(i) Classification and Measurement of Financial Assets and Financial Liabilities

The following table shows the original classification and measurement categories under FRS 39 and the new classification and measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

$ million	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
GROUP				
Financial assets				
Cash and placements with central banks	Amortised cost	Amortised cost	19,594	19,589
Singapore government treasury bills and securities	AFS	FVOCI	8,902	8,902
Singapore government treasury bills and securities	FVTPL	FVTPL	938	938
Other government treasury bills and securities	AFS	Amortised cost	297	296
Other government treasury bills and securities	AFS	FVOCI	13,975	13,975
Other government treasury bills and securities	AFS	FVTPL	6	6
Other government treasury bills and securities	FVTPL	FVTPL	3,359	3,359
Placements with and loans to banks	AFS	FVOCI	17,747	17,747
Placements with and loans to banks	Amortised cost	Amortised cost	29,368	29,361
Placements with and loans to banks	FVTPL	FVTPL	2,457	2,457
Loans and bills receivable	Amortised cost	Amortised cost	234,389	234,719
Loans and bills receivable	Amortised cost	FVTPL	279	280
Debt and equity securities	AFS	FVOCI	18,184	18,179
Debt and equity securities	AFS	FVTPL	1,717	1,717
Debt and equity securities	AFS	Amortised cost	143	143
Debt and equity securities	Amortised cost	Amortised cost	17	17
Debt and equity securities	FVTPL	FVTPL	5,596	5,596
BANK				
Financial assets				
Cash and placements with central banks	Amortised cost	Amortised cost	14,355	14,350
Singapore government treasury bills and securities	AFS	FVOCI	8,694	8,694
Singapore government treasury bills and securities	FVTPL	FVTPL	938	938
Other government treasury bills and securities	AFS	Amortised cost	297	296
Other government treasury bills and securities	AFS	FVOCI	5,409	5,409
Other government treasury bills and securities	FVTPL	FVTPL	2,744	2,744
Placements with and loans to banks	AFS	FVOCI	9,518	9,518
Placements with and loans to banks	Amortised cost	Amortised cost	23,267	23,260
Placements with and loans to banks	FVTPL	FVTPL	2,163	2,163
Loans and bills receivable	Amortised cost	Amortised cost	143,283	143,382
Loans and bills receivable	Amortised cost	FVTPL	233	233
Debt and equity securities	AFS	FVOCI	9,127	9,127
Debt and equity securities	AFS	FVTPL	393	393
Debt and equity securities	AFS	Amortised cost	143	143
Debt and equity securities	Amortised cost	Amortised cost	17	17
Debt and equity securities	FVTPL	FVTPL	4,301	4,301

There are no changes to the classification and measurement of financial liabilities of the Group upon transition to SFRS(I) 9.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(D) SFRS(I) 9 *Financial Instruments* (continued)

(i) Classification and Measurement of Financial Assets and Financial Liabilities (continued)

The accounting policies for financial instruments under SFRS(I) 9 are disclosed in Notes 2.7 and 2.13. The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) AFS to Amortised Cost
Certain debt securities are held by the Group for long-term yield purposes. These securities may be sold, but such sales are not expected to be frequent and significant. The Group considers these securities to be held within a business model whose objective is to hold assets to collect contractual cash flows. These assets are classified and measured at amortised cost under SFRS(I) 9. There were no material changes to the fair value that would have been recognised during the year ended 31 December 2018 in OCI if the financial assets had not been reclassified.

(b) AFS to FVOCI
Debt securities that are reclassified within this category are held by the Group to maintain everyday liquidity needs. The Group manages the returns in this separate portfolio by collecting contractual payments or selling these securities. The equity securities within the FVOCI classification are not held for trading and represent investments that the Group intend to hold for long term strategic purposes.

(c) AFS to FVTPL
These debt and equity securities are held by the Group within the business model whose objective is to realise cash flow through sale. The debt securities have contractual cash flows that do not meet the solely payments of principal and interest (SPPI) criteria. These securities are therefore measured at FVTPL under SFRS(I) 9.

(d) Amortised Cost to FVTPL
Certain loans have contractual cash flows that do not meet the SPPI criteria. These loans are therefore measured at FVTPL under SFRS(I) 9.

(ii) Impairment of Financial Assets

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in allowances for non-impaired exposures as follows:

$ million	GROUP	BANK
Collective allowance at 31 December 2017 under FRS 39 [(1)]	1,417	781
Increase/(decrease) in impairment recognised at 1 January 2018 on:		
Cash and placements with central banks – amortised cost	5	5
Singapore and other government treasury bills and securities – FVOCI	2	#
Loans and bills receivable – amortised cost	(330)	(99)
Placements with and loans to banks – amortised cost	7	6
Debt securities – amortised cost	#	#
Debt securities – FVOCI	33	27
Stages 1 and 2 ECL allowance at 1 January 2018 under SFRS(I) 9	1,134	720

(1) Including the modification to FRS 39 requirement on loan loss provisioning under Notice to Banks No. 612 *Credit Files, Grading and Provisioning* issued by the Monetary Authority of Singapore.
(2) # represents amounts less than $0.5 million.

2. Summary of Significant Accounting Policies (continued)

2.2 Adoption of New Accounting Framework SFRS(I) and GEH Accounting Policy Change (continued)

(D) SFRS(I) 9 *Financial Instruments* (continued)

(iii) Transition Impact on Equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on reserves and non-controlling interests (NCI) at 1 January 2018.

$ million	GROUP	BANK
Fair value reserves		
Closing balance at 31 December 2017 under FRS 39	352	12
Reclassification	(138)	#
Others	37	28
Opening balance at 1 January 2018 under SFRS(I) 9	251	40
Revenue reserves		
Closing balance at 31 December 2017 under FRS 39	22,680	13,017
Reclassification	138	(#)
Others [1]	(151)	(114)
Opening balance at 1 January 2018 under SFRS(I) 9	22,667	12,903
Non-controlling interests		
Closing balance at 31 December 2017 under FRS 39	2,765	–
Others	#	–
Opening balance at 1 January 2018 under SFRS(I) 9	2,765	–

(1) Including transfer to regulatory loss allowance reserve.
(2) # represents amounts less than $0.5 million.

2. Summary of Significant Accounting Policies (continued)

2.3 Basis of Consolidation

2.3.1 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.

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 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.

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.

2.3.2 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.

2.3.3 Associates and Joint Ventures

The Group applies SFRS(I) 1-28 *Investments in Associates and Joint Ventures* and SFRS(I) 11 *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.

2. Summary of Significant Accounting Policies (continued)

2.3 Basis of Consolidation (continued)

2.3.3 Associates and Joint Ventures (continued)

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.

2.3.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance 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 insurance 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 insurance funds. The amount allocated to shareholders is reported as "Profit from life insurance" in the consolidated income statement.

2.3.5 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.

2.4 Currency Translation

2.4.1 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 FVOCI/available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve within equity.

2.4.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, 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.

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.

2.5 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.

2.6 Financial Instruments

2.6.1 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.

2.6.2 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.

2.6.3 Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be primarily accounted based on the process undertaken to execute the renegotiation and the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

2.6.4 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. Summary of Significant Accounting Policies (continued)

2.6 Financial Instruments (continued)

2.6.5 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.

2.7 Non-Derivative Financial Assets

(A) Policy Applicable before 1 January 2018

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.

2.7.1 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.

2.7.2 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.

2.7.3 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.

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.

2.7.4 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.

(B) Policy Applicable from 1 January 2018

Classification and Measurement of Financial Assets

On initial recognition, a non-derivative financial asset is either measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

(a) Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

2. Summary of Significant Accounting Policies (continued)

2.7 Non-Derivative Financial Assets (continued)

(B) Policy Applicable from 1 January 2018 (continued)

Classification and Measurement of Financial Assets (continued)

(a) Business Model Assessment (continued)

Financial assets that are held for trading and whose performance is evaluated or managed on a fair value basis are measured at FVTPL because they are neither within the business model to hold to collect contractual cash flows, nor within the business model to hold both to collect contractual cash flows and to sell financial assets.

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

2.7.5 Debt Instruments Measured at Amortised Cost

A debt financial instrument 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.

Debt instruments classified at amortised cost are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

2.7.6 Debt Instruments Measured at FVOCI

A debt financial instrument 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.

Debt instruments classified at FVOCI are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

At the balance sheet date, the Group recognises unrealised fair value gains and losses on revaluing these assets in other comprehensive income (OCI) and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to income statement.

2.7.7 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the balance sheet date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets are included in interest income.

2.7.8 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or at FVOCI, at FVTPL if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each balance sheet date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

2.7.9 Equity Instruments

Equity instruments held for trading are classified at FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the balance sheet date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified at FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified at FVOCI are recognised in other comprehensive income and are never reclassified to the income statement.

Dividend earned whilst holding the equity instruments classified at FVTPL is reported as dividend income in the income statement. Dividend from equity instruments classified at FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

2.7.10 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing its financial assets.

2.8 Derivative Financial Instruments

Existing hedging relationships designated under FRS 39 as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

2. Summary of Significant Accounting Policies (continued)

2.8 Derivative Financial Instruments (continued)

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. Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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.

Before the Group applies any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the hedged item and hedging instrument respond similarly to similar risks. For all hedge accounting of the Group, where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item.

In a fair value hedging relationship, the Group mainly uses interest rate swaps and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. 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 amount 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.

The risk exposure for cash flow hedge is managed similarly to that for fair value hedges. The Group uses interest rate swaps to hedge the variability in the cash flows that is related to a variable or fixed rate asset or liability, resulting from changes in interest rate risk. 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.

"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 is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect relationship or matching between the hedging instrument and the risk being hedged as well as the effect of credit risk existing in the hedging instrument.

The hedged risk in the Group's net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. 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. The source of ineffectiveness for the Group's net investment hedge arises from a foreign currency exposure that is denominated in the pegged currency.

2.9 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.

2. Summary of Significant Accounting Policies (continued)

2.9 Property, Plant and Equipment (continued)

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.

2.10 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 insurance 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.

Investment property held under the Group's life insurance 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 insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance fund.

2.11 Goodwill and Intangible Assets

2.11.1 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.

2.11.2 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.

2.12 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.

2.13 Impairment of Assets

(I) Financial Assets

(A) Policy Applicable before 1 January 2018

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.

2.13.1 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 amount of the loan. Portfolio allowances are set aside for unimpaired loans based on portfolio and country risks, as well as industry practices. A minimum 1% portfolio allowance is maintained by the Group in accordance with the transitional arrangement set out in MAS Notice 612.

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.

2.13.2 Other Non-Derivative Financial Assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying amounts 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.

2. Summary of Significant Accounting Policies (continued)

2.13 Impairment of Assets (continued)

(I) Financial Assets (continued)

(A) Policy Applicable before 1 January 2018 (continued)

2.13.2 Other Non-Derivative Financial Assets (continued)

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.

(B) Policy Applicable from 1 January 2018

2.13.3 Financial Assets

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.

2.13.3.1 Scope

Under SFRS(I) 9, the expected credit loss model is applied to debt financial assets classified at amortised cost or FVOCI, except for equity investments, and certain off-balance sheet loan commitments and financial guarantees which were previously provided for under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

2.13.3.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are 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 resulting from default events that are possible 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, the credit loss allowance will be the full lifetime expected credit loss.

2.13.3.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

(a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

(b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

(c) undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

(d) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate of the likelihood of default over a given time horizon
- Exposure at default (EAD) – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities
- Loss given default (LGD) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans and bills receivable that are collectively assessed are grouped on the basis of shared credit risk characteristics such as account loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 years periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

2. Summary of Significant Accounting Policies (continued)

2.13 Impairment of Assets (continued)

(B) Policy Applicable from 1 January 2018 (continued)

2.13.3 Financial Assets (continued)

2.13.3.3 Measurement (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

2.13.3.4 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 the credit loss allowance will be measured using lifetime ECL.

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

(a) 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.

(b) The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.

(c) The Group uses days past due as a further 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.

The assessments for a 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. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at time of the modification.

2.13.3.5 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 collateral. Where the accounting loss allowance computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves to meet the minimum 1% amount. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

(II) Other Assets

2.13.4 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.

2.13.5 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 amount of an asset may not be recoverable. If such an indication exists, the carrying amount 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 amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.14 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. Prior to 1 January 2018, the carrying amount 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. From 1 January 2018, a loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criterion for financial assets has been met.

2. Summary of Significant Accounting Policies (continued)

2.15 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.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are taken directly to the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. 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.

2.16 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 insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.17 Insurance Contracts

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of GEH, has accepted significant insurance risk from 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 SFRS(I) 4 *Insurance Contracts*, 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 insurance contract liabilities, comprising
  - Participating Fund contract liabilities;
  - Non-participating Fund contract liabilities; and
  - Investment-linked Fund contract liabilities.
(b) Non-life insurance contract liabilities
(c) Reinsurance contracts

The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

Life Insurance 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 insurance 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.

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.

2. Summary of Significant Accounting Policies (continued)

2.17 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)
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 investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

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.

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 amount 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)

2.17 Insurance Contracts (continued)

Life Insurance Contract Liabilities (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 'Interest rate' item (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: 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 2.25 on Critical accounting estimates and judgements.

2. Summary of Significant Accounting Policies (continued)

2.17 Insurance Contracts (continued)

Non-Life Insurance 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 non-life insurance contracts.

Non-life insurance contract liabilities include premium liabilities and claim liabilities.

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 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.

Premium liabilities are the provision of unearned premiums representing 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. Further provisions are made if expected future cash flow of unexpired insurance contracts exceed the unearned premiums of these contracts.

The valuation of non-life insurance claim 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 Singapore and 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 Expected Loss Ratio Method. As required by the local insurance regulations, the provision for adverse deviation is set at 75% level of sufficiency for both Singapore and Malaysia. The claim liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

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.

2.18 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.

2.19 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

2. Summary of Significant Accounting Policies (continued)

2.19 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.

2.20 Recognition of Income and Expense

2.20.1 Interest Income and Expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.20.2 Premiums and Commissions From Insurance Business

Life Insurance Business

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.

Non-Life Insurance Business

Premiums from the non-life 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 2.18). 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 non-life 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.

2.20.3 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.

2.20.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

2.20.5 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.

2.20.6 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.

2. Summary of Significant Accounting Policies (continued)

2.20 Recognition of Income and Expense (continued)

2.20.6 Employee Benefits (continued)

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.

2.20.7 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.

2.21 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.22 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.

2.23 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. Summary of Significant Accounting Policies (continued)

2.24 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.

2.25 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.

2.25.1 Impairment of Financial Assets

Policy Applicable before 1 January 2018

2.25.1.1 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.

2.25.1.2 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.

Policy Applicable from 1 January 2018

2.25.1.3 Impairment of Financial Assets

In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. ECL estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default, loss given default and exposure at default. These are parameters derived from internal rating models after adjusting them to be unbiased and forward-looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Given that SFRS(I) 9 requirements have only just been applied, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement.

2.25.2 Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. 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.

2.25.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life 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)

2.25 Critical Accounting Estimates and Judgements (continued)

2.25.3 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 non-life 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.

2.25.4 Impairment of Goodwill and Intangible Assets

The Group performs an annual review of the carrying amount 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.

2.25.5 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 balances in the period in which the determination is made.

2.25.6 Insurance Contract Classification

Contracts are classified as insurance contracts where significant insurance risk is transferred 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest income				
Loans to non-bank customers	**8,195,095**	6,844,896	**4,418,527**	3,530,439
Placements with and loans to banks	**1,558,672**	1,090,406	**1,416,910**	918,347
Other interest-earning assets	**1,295,511**	1,182,734	**620,465**	597,762
	11,049,278	9,118,036	**6,455,902**	5,046,548
Interest expense				
Deposits of non-bank customers	**(4,169,140)**	(2,960,002)	**(2,123,358)**	(1,323,755)
Deposits and balances of banks	**(182,513)**	(141,654)	**(346,835)**	(256,093)
Other borrowings	**(807,515)**	(593,258)	**(789,233)**	(589,322)
	(5,159,168)	(3,694,914)	**(3,259,426)**	(2,169,170)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**10,666,483**	8,760,186	**6,156,585**	4,759,649
Income – Assets mandatorily measured at FVTPL	**382,795**	357,850	**299,317**	286,899
Expense – Liabilities not at fair value through profit or loss	**(5,139,107)**	(3,672,584)	**(3,239,445)**	(2,147,135)
Expense – Liabilities mandatorily measured at FVTPL	**(20,061)**	(22,330)	**(19,981)**	(22,035)
Net interest income	**5,890,110**	5,423,122	**3,196,476**	2,877,378

Included in interest income were interest on impaired assets of $33.7 million (2017: $19.5 million) and $25.7 million (2017: $15.1 million) for the Group and Bank respectively.

4. Profit from Life Insurance

	GROUP	
	2018 $ million	2017 $ million
Income		
Annual	**6,720.5**	6,302.3
Single	**5,220.9**	6,001.0
Gross premiums	**11,941.4**	12,303.3
Reinsurances	**(267.8)**	(186.0)
Premium income (net)	**11,673.6**	12,117.3
Investment income (net)	**69.0**	4,116.6
Total income	**11,742.6**	16,233.9
Expenses		
Gross claims, surrenders and annuities	**(6,430.5)**	(5,468.4)
Claims, surrenders and annuities recovered from reinsurers	**164.9**	129.1
Net claims, surrenders and annuities	**(6,265.6)**	(5,339.3)
Change in life insurance contract liabilities (Note 22)	**(3,183.4)**	(8,216.2)
Commission and agency expenses	**(957.1)**	(893.0)
Depreciation – property, plant and equipment (Note 35)	**(50.7)**	(66.2)
Other expenses	**(494.7)**	(466.6)
Total expenses	**(10,951.5)**	(14,981.3)
Surplus from operations	**791.1**	1,252.6
Share of results of associates	**(0.5)**	(0.5)
Income tax expense	**(50.9)**	(484.5)
Profit from life insurance	**739.7**	767.6

Profit from life insurance 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross fee and commission income				
Brokerage	**104,654**	110,857	**296**	333
Credit card	**350,755**	315,261	**275,413**	240,648
Fund management	**113,026**	108,294	**41**	48
Guarantees	**17,664**	18,954	**9,415**	9,610
Investment banking	**102,010**	98,852	**84,978**	78,944
Loan-related	**300,425**	291,672	**224,462**	219,170
Service charges	**100,154**	100,449	**78,312**	81,118
Trade-related and remittances	**238,778**	216,490	**171,209**	154,998
Wealth management	**958,453**	913,914	**236,213**	251,528
Others	**40,541**	39,271	**5,026**	3,943
	2,326,460	2,214,014	**1,085,365**	1,040,340
Fee and commission expense	**(295,533)**	(261,498)	**(142,605)**	(131,776)
Fees and commissions (net)	**2,030,927**	1,952,516	**942,760**	908,564

6. Dividends

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Subsidiaries	**–**	–	**1,369,198**	529,499
Associates	**–**	–	**25,317**	19,330
FVTPL/trading securities	**39,114**	12,000	**18,477**	5,790
FVOCI/available-for-sale securities	**88,450**	64,383	**1,449**	4,434
	127,564	76,383	**1,414,441**	559,053

7. Other Income

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Foreign exchange [(1)]	**542,933**	253,808	**193,557**	(739)
Hedging activities [(2)]				
Hedging instruments	**(194,394)**	100,872	**(185,547)**	95,249
Hedged items	**193,259**	(101,600)	**183,933**	(95,648)
Fair value hedges	**(1,135)**	(728)	**(1,614)**	(399)
Interest rate and other derivatives [(3)]	**299,022**	104,274	**249,944**	67,828
Financial instruments mandatorily measured at FVTPL/trading securities	**(333,391)**	156,696	**(243,573)**	91,135
Others	**277**	1,008	**31**	652
Net trading income	**507,706**	515,058	**198,345**	158,477
Disposal of securities classified as FVOCI/available-for-sale	**16,256**	405,431	**10,754**	61,678
Disposal of securities classified as amortised cost/loans and receivables	**–**	26,056	**–**	–
Disposal of interests in subsidiaries and associates	**7,982**	33,589	**262,338**	270,730
Disposal of plant and equipment	**(817)**	(240)	**(652)**	(97)
Disposal of property	**46,608**	56,818	**41,321**	10,937
Computer-related services income	**–**	21,880	**–**	–
Property-related income	**11,190**	10,033	**362**	293
Others	**72,588**	6,698	**36,238**	3,428
	661,513	1,075,323	**548,706**	505,446

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency denominated 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	
		2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
8.1	**Staff costs**				
	Salaries and other costs	**2,337,643**	2,220,125	**819,426**	743,307
	Share-based expenses	**65,068**	55,404	**26,885**	26,370
	Contribution to defined contribution plans	**188,594**	179,665	**70,026**	68,369
		2,591,305	2,455,194	**916,337**	838,046
	Directors' emoluments:				
	Remuneration of Bank's directors	**9,777**	10,502	**9,607**	10,259
	Fees of Bank's directors [1]	**5,149**	4,987	**3,805**	3,528
		14,926	15,489	**13,412**	13,787
	Total staff costs	**2,606,231**	2,470,683	**929,749**	851,833
8.2	**Other operating expenses**				
	Property, plant and equipment and investment property: [2]				
	Depreciation	**316,644**	314,693	**142,778**	137,525
	Maintenance and hire	**124,029**	121,084	**39,675**	39,167
	Rental expenses	**99,976**	98,509	**85,987**	80,931
	Others	**270,912**	258,224	**118,103**	110,351
		811,561	792,510	**386,543**	367,974
	Auditors' remuneration:				
	Payable to auditors of the Bank	**3,803**	3,134	**2,891**	2,307
	Payable to associated firms of auditors of the Bank	**3,001**	2,819	**381**	401
	Payable to other auditors	**1,397**	1,435	**62**	60
		8,201	7,388	**3,334**	2,768
	Other fees:				
	Payable to auditors of the Bank [3]	**2,817**	1,068	**1,660**	872
	Payable to associated firms of auditors of the Bank	**733**	458	**191**	128
		3,550	1,526	**1,851**	1,000
	Hub processing charges	**–**	–	**229,425**	205,716
	General insurance claims	**91,520**	72,085	**–**	–
	Others [4]	**693,202**	698,210	**356,456**	341,810
		784,722	770,295	**585,881**	547,526
	Total other operating expenses	**1,608,034**	1,571,719	**977,609**	919,268
8.3	**Staff costs and other operating expenses**	**4,214,265**	4,042,402	**1,907,358**	1,771,101

(1) Includes remuneration shares amounting to $0.7 million (2017: $0.5 million) issued to directors.
(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $19.1 million (2017: $20.1 million) and $3.0 million (2017: $3.3 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $0.6 million (2017: $1.0 million) and $0.3 million (2017: $0.6 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 Other Assets

	GROUP		BANK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Allowances/(write-back):				
Impaired loans (Note 28)	**396,963**	1,407,257	**267,226**	1,244,744
Impaired other assets	**5,089**	50,295	**36,907**	72,165
Non-impaired loans	**(90,127)**	(786,004)	**(120,208)**	(608,654)
Non-impaired other assets	**(24,412)**	–	**(29,422)**	–
Allowances for loans and other assets	**287,513**	671,548	**154,503**	708,255

10. Income Tax Expense

	GROUP		BANK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current tax expense	**756,634**	896,764	**313,973**	370,521
Deferred tax expense/(credit) (Note 20)	**132,108**	(54,911)	**117,750**	(116)
	888,742	841,853	**431,723**	370,405
Over provision in prior years	**(11,558)**	(38,908)	**(14,027)**	(38,678)
Charge to income statements	**877,184**	802,945	**417,696**	331,727

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Operating profit after allowances and amortisation	**5,096,947**	4,710,007	**4,094,399**	2,424,050
Prima facie tax calculated at tax rate of 17%	**866,481**	800,701	**696,048**	412,089
Effect of:				
Different tax rates in other countries	**125,980**	126,910	**43,666**	36,385
Income not subject to tax	**(36,434)**	(31,593)	**(308,237)**	(130,292)
Income taxed at concessionary rates	**(76,241)**	(86,403)	**(47,239)**	(82,900)
Singapore life insurance funds	**(48,852)**	(61,529)	**–**	–
Non-deductible expenses and losses	**20,432**	55,929	**2,982**	91,418
Others	**37,376**	37,838	**44,503**	43,705
	888,742	841,853	**431,723**	370,405
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**(6,972)**	458	**(3,327)**	3,130
Depreciable assets acquired in business combinations	**(10,313)**	(11,787)	**(1,873)**	(2,159)
Tax losses	**(2,082)**	(1,573)	**(2,076)**	(1,854)
Unrealised gains/(losses) on financial assets	**49,597**	(31,896)	**11,747**	6,843
Write-back/(allowances) for assets	**103,255**	38,846	**114,888**	(1,375)
Other temporary differences	**(1,377)**	(48,959)	**(1,609)**	(4,701)
	132,108	(54,911)	**117,750**	(116)

11. Earnings Per Share

	GROUP	
	2018	**2017**
$'000		
Profit attributable to ordinary equity holders of the Bank	**4,491,994**	4,044,698
Preference dividends declared in respect of the period	**–**	(43,068)
Perpetual capital securities distribution declared in respect of the period	**(19,000)**	(19,000)
Profit attributable to ordinary equity holders of the Bank after preference dividends and other equity distributions	**4,472,994**	3,982,630
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,203,163**	4,186,249
Adjustment for assumed conversion of share options and acquisition rights	**7,978**	6,215
For diluted earnings per share	**4,211,141**	4,192,464
Earnings per share ($)		
Basic	**1.06**	0.95
Diluted	**1.06**	0.95

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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Profit attributable to equity holders of the Bank	**4,491,994**	4,044,698	**3,676,703**	2,092,323
Add:				
Unappropriated profit at 1 January	**21,881,219**	19,225,975	**11,707,040**	11,181,000
Effect of adopting SFRS(I) 9	**(13,643)**	–	**(114,617)**	–
Adjusted unappropriated profit at 1 January	**21,867,576**	19,225,975	**11,592,423**	11,181,000
Total amount available for appropriation	**26,359,570**	23,270,673	**15,269,126**	13,273,323
Appropriated as follows:				
Ordinary dividends:				
2016 final tax exempt dividend of 18 cents	**–**	(753,830)	**–**	(753,830)
2017 interim tax exempt dividend of 18 cents	**–**	(754,332)	**–**	(754,332)
2017 final tax exempt dividend of 19 cents	**(795,577)**	–	**(795,577)**	–
2018 interim tax exempt dividend of 20 cents	**(838,186)**	–	**(838,186)**	–
Preference dividends:				
Class M 4.0% tax exempt	**–**	(43,068)	**–**	(43,068)
Distribution for other equity instruments:				
3.80% perpetual capital securities	**(19,000)**	(19,000)	**(19,000)**	(19,000)
Transfer (to)/from:				
Capital reserves (Note 14)	**(222,110)**	193,643	**(410,954)**	–
Fair value reserves	**(41,599)**	–	**2,360**	–
General reserves (Note 15.1)	**13,436**	(3,570)	**5,171**	3,977
Defined benefit plans remeasurements	**5,096**	(1,609)	**17**	(30)
Redemption of preference shares	**(1,000,000)**	–	**(1,000,000)**	–
Others	**(21,377)**	(7,688)	**–**	–
	(2,919,317)	(1,389,454)	**(3,056,169)**	(1,566,283)
At 31 December (Note 15)	**23,440,253**	21,881,219	**12,212,957**	11,707,040

At the annual general meeting to be held, a final tax exempt dividend of 23 cents per ordinary share in respect of the financial year ended 31 December 2018, totalling $977.5 million, will be proposed. The dividends will be accounted for as a distribution in the 2019 financial statements.

13. Share Capital and Other Equity

13.1 Share Capital

GROUP AND BANK	2018 Shares ('000)	2017 Shares ('000)
Ordinary shares		
At 1 January	**4,193,784**	4,193,729
Shares issued in lieu of ordinary dividends	**62,933**	–
Shares issued to non-executive directors	**53**	55
At 31 December	**4,256,770**	4,193,784
Treasury shares		
At 1 January	**(7,071)**	(11,022)
Share buyback	**(17,225)**	(20,560)
Share Option Schemes	**4,553**	13,133
Share Purchase Plan	**7,635**	6,302
Shares sold for cash	**47**	#
Treasury shares transferred to DSP Trust	**5,322**	5,076
At 31 December	**(6,739)**	(7,071)
Preference shares		
Class M		
At 1 January	**1,000,000**	1,000,000
Redemption of preference shares	**(1,000,000)**	–
At 31 December	**–**	1,000,000

GROUP AND BANK	2018 $'000	2017 $'000
Issued share capital, at 31 December	**15,750,417**	15,136,347

(1) # represents amounts less than 500 shares.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

The 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 2018 and 31 December 2017.

13. Share Capital and Other Equity (continued)

13.2 Share Option Scheme

Pursuant to OCBC Share Option Scheme 2001, the Bank granted options to acquire 6,868,764 (2017: 9,587,008) ordinary shares, including options granted to an executive director of the Bank to acquire 409,643 (2017: 772,350) ordinary shares in the Bank. The fair value of options granted, determined using the binomial valuation model, was $16.9 million (2017: $7.3 million). Significant inputs to the valuation model are set out below:

	2018	**2017**
Acquisition price ($)	**13.34**	9.60 – 12.32
Share price ($)	**13.73**	9.64 – 12.39
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**17.29**	12.94 – 14.73
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.54**	2.11
Expected dividend yield (%)	**2.62**	3.22 – 4.27
Exercise multiple (times)	**1.52**	1.74
Option life (years)	**10**	10

Movements in the number of shares under options and the average acquisition prices are as follows:

	2018		**2017**	
	Number of shares under options	**Average price**	**Number of shares under options**	**Average price**
At 1 January	**36,584,962**	**$9.323**	40,887,286	$9.116
Granted and accepted	**6,868,764**	**$13.340**	9,587,008	$9.603
Exercised	**(4,573,422)**	**$8.939**	(13,224,648)	$8.860
Forfeited/lapsed	**(257,776)**	**$11.814**	(664,684)	$9.825
At 31 December	**38,622,528**	**$10.067**	36,584,962	$9.323
Exercisable options at 31 December	**22,698,061**	**$9.400**	18,796,148	$9.225
Average share price underlying the options exercised		**$12.956**		$10.712

At 31 December 2018, the weighted average remaining contractual life of outstanding share options was 6.7 years (2017: 7.0 years). The aggregate number of shares under outstanding options held by an executive director of the Bank was 5,034,060 (2017: 4,624,417).

13. Share Capital and Other Equity (continued)

13.3 Employee Share Purchase Plan

In June 2018, the Bank launched its thirteenth offering of ESP Plan for Group employees, which commenced on 1 July 2018 and expire on 30 June 2020. Under the offering, the Bank granted rights to acquire 8,051,064 (2017: 7,580,663) ordinary shares in the Bank, including rights granted to an executive director of the Bank to acquire 3,103 (2017: 3,342) ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model was $12.2 million (2017: $5.5 million). Significant inputs to the valuation model are set out below:

	2018	2017
Acquisition price ($)	**11.60**	10.77
Share price ($)	**12.13**	10.72
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**18.45**	13.06
Risk-free rate based on 2-year swap rate (%)	**1.96**	1.26
Expected dividend yield (%)	**2.97**	3.36

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2018		2017	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**14,584,083**	**$9.576**	15,662,202	$9.106
Exercised and conversion upon expiry	**(7,635,418)**	**$8.568**	(6,302,173)	$9.855
Forfeited	**(1,628,647)**	**$10.704**	(2,356,609)	$9.545
Subscription	**8,051,064**	**$11.600**	7,580,663	$10.770
At 31 December	**13,371,082**	**$11.233**	14,584,083	$9.576
Average share price underlying acquisition rights exercised/converted		**$11.568**		$10.992

At 31 December 2018, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2017: 1.0 years). There were 6,445 (2017: 7,602) rights held by an executive director of the Bank.

13.4 Deferred Share Plan

Total awards of 5,924,046 (2017: 5,761,209) ordinary shares, which included 189,135 (2017: 220,000) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2018. The fair value of the shares at grant date was $78.7 million (2017: $54.9 million).

During the year, 6,509,474 (2017: 5,007,868) deferred shares were released to employees, of which 309,912 (2017: 271,875) deferred shares were released to an executive director of the Bank who held office as at the end of the financial year. At 31 December 2018, an executive director of the Bank had deemed interest in 608,866 (2017: 709,143) 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 2.20.6.

13. Share Capital and Other Equity (continued)

13.5 Other Equity Instruments

	Note	GROUP AND BANK 2018 $'000	2017 $'000
SGD500 million 3.8% non-cumulative non-convertible perpetual capital securities (3.8% Capital Securities)	(a)	**499,143**	499,143
SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities)	(b)	**997,831**	–
		1,496,974	499,143

(a) The 3.8% 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 3.8% 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 3.8% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.8% Capital Securities bear a fixed distribution rate of 3.8% 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 3.8% Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

(b) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the 4.0% Capital Securities. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound.

14. Capital Reserves

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	**361,443**	571,850	**98,794**	105,678
Effect of adopting SFRS(I) 9 and revised MAS 612	**353,667**	–	**122,855**	–
Adjusted balance at 1 January	**715,110**	571,850	**221,649**	105,678
Share-based payments for staff costs	**19,883**	14,807	**19,883**	14,807
Shares transferred to DSP Trust	**(76,048)**	(58,745)	**–**	–
Shares vested under DSP Scheme	**62,976**	48,865	**–**	–
Transfer from/(to) unappropriated profit (Note 12)	**222,110**	(193,643)	**410,954**	–
Transfer to share capital	**(13,599)**	(21,691)	**(13,599)**	(21,691)
At 31 December	**930,432**	361,443	**638,887**	98,794

Capital reserves include regulatory loss allowance reserve and 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		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Unappropriated profit (Note 12)	**23,440,253**	21,881,219	19,225,975	**12,212,957**	11,707,040	11,181,000
General reserves	**1,333,987**	1,340,812	1,331,175	**1,384,567**	1,383,127	1,381,210
Cash flow hedge reserves	**765**	(76)	–	**(322)**	–	–
Currency translation reserves	**(743,843)**	(542,492)	–	**(100,579)**	(73,192)	–
Own credit reserves	**(5,570)**	–	–	**(5,570)**	–	–
At 31 December	**24,025,592**	22,679,463	20,557,150	**13,491,053**	13,016,975	12,562,210

15.1 General Reserves

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	**1,340,812**	1,331,175	**1,383,127**	1,381,210
Transactions with equity owners	**–**	173	**–**	–
DSP reserve from dividends on unvested shares	**6,611**	5,894	**6,611**	5,894
Transfer (to)/from unappropriated profit (Note 12)	**(13,436)**	3,570	**(5,171)**	(3,977)
At 31 December	**1,333,987**	1,340,812	**1,384,567**	1,383,127

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. Revenue Reserves (continued)

15.3 Currency Translation Reserves

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	**(542,492)**	–	**(73,192)**	–
Movements for the year	**(93,611)**	(1,009,232)	**(40,915)**	(74,419)
Effective portion of hedge	**(107,740)**	466,740	**13,528**	1,227
At 31 December	**(743,843)**	(542,492)	**(100,579)**	(73,192)

Currency translation reserves comprise 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	2018 $'000	2017 $'000	1 January 2017 $'000
Non-controlling interests in subsidiaries		**1,254,842**	1,265,500	1,131,919
Preference shares issued by a subsidiary				
OCBC Capital Corporation (2008)	(a)	**–**	1,500,000	1,500,000
Total non-controlling interests		**1,254,842**	2,765,500	2,631,919

(a) The preference shares were fully redeemed by OCBC Capital Corporation (2008) on 20 September 2018.

17. Deposits and Balances of Non-Bank Customers and Banks

	GROUP		BANK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Deposits of non-bank customers				
Current accounts	**84,295,484**	87,773,491	**45,180,038**	45,188,341
Savings deposits	**52,795,875**	51,816,611	**42,832,452**	42,315,882
Term deposits	**124,865,986**	113,161,109	**67,170,566**	64,125,473
Structured deposits	**6,743,504**	4,916,531	**2,889,427**	1,825,832
Certificates of deposit issued	**21,615,824**	21,629,624	**21,250,681**	21,331,861
Other deposits	**5,095,376**	4,344,803	**4,276,846**	3,358,699
	295,412,049	283,642,169	**183,600,010**	178,146,088
Deposits and balances of banks	**7,576,453**	7,485,428	**6,350,256**	6,084,643
	302,988,502	291,127,597	**189,950,266**	184,230,731

17.1 Deposits of Non-Bank Customers

Analysed by currency				
Singapore Dollar	**105,327,557**	97,664,767	**100,313,074**	93,950,520
US Dollar	**91,035,834**	93,414,634	**60,217,704**	63,884,965
Malaysian Ringgit	**23,296,808**	22,364,431	**–**	–
Indonesian Rupiah	**9,473,599**	8,205,921	**–**	–
Japanese Yen	**1,462,544**	1,438,805	**520,314**	475,391
Hong Kong Dollar	**28,428,124**	28,639,968	**3,596,038**	4,984,726
British Pound	**10,181,650**	7,051,170	**7,945,937**	5,440,687
Australian Dollar	**11,382,188**	10,904,050	**6,876,510**	5,982,504
Euro	**2,961,727**	1,856,613	**893,839**	579,564
Chinese Renminbi	**7,673,803**	7,551,231	**2,127,261**	1,460,985
Others	**4,188,215**	4,550,579	**1,109,333**	1,386,746
	295,412,049	283,642,169	**183,600,010**	178,146,088

17.2 Deposits and Balances of Banks

Analysed by currency				
Singapore Dollar	**537,641**	798,162	**536,806**	779,612
US Dollar	**4,104,352**	4,635,342	**3,652,391**	3,988,251
Malaysian Ringgit	**217,903**	241,795	**–**	–
Indonesian Rupiah	**112,468**	140,856	**–**	–
Japanese Yen	**63,316**	36,068	**58,342**	35,710
Hong Kong Dollar	**649,064**	594,512	**570,431**	579,209
British Pound	**11,696**	9,332	**9,608**	4,819
Australian Dollar	**543,181**	326,340	**536,718**	321,174
Euro	**791,068**	210,623	**790,692**	187,063
Chinese Renminbi	**356,821**	303,786	**6,420**	1,464
Others	**188,943**	188,612	**188,848**	187,341
	7,576,453	7,485,428	**6,350,256**	6,084,643

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.

	2018			2017		
GROUP ($'000)	**Principal notional amount**	**Derivative receivables**	**Derivative payables**	**Principal notional amount**	**Derivative receivables**	**Derivative payables**
Foreign exchange derivatives (FED)						
Forwards	**67,791,872**	**628,144**	**611,112**	79,449,518	648,921	730,196
Swaps	**313,680,568**	**2,413,279**	**2,415,591**	267,670,709	3,039,822	3,088,205
OTC options – bought	**39,115,873**	**813,502**	**34,297**	34,516,862	284,783	35,497
OTC options – sold	**37,583,486**	**13,978**	**778,231**	32,013,241	16,529	236,420
	458,171,799	**3,868,903**	**3,839,231**	413,650,330	3,990,055	4,090,318
Interest rate derivatives (IRD)						
Swaps	**540,403,026**	**2,859,510**	**2,803,691**	480,380,675	2,226,065	2,179,153
OTC options – bought	**868,735**	**16,242**	**–**	873,028	2,363	–
OTC options – sold	**2,891,571**	**–**	**33,737**	2,186,709	–	18,966
Exchange traded options – bought	**2,593,186**	**232**	**–**	–	–	–
Exchange traded options – sold	**1,507,197**	**–**	**873**	–	–	–
Exchange traded futures – bought	**4,896,097**	**954**	**#**	1,643,308	224	82
Exchange traded futures – sold	**13,795,896**	**7**	**4,949**	3,431,656	661	52
	566,955,708	**2,876,945**	**2,843,250**	488,515,376	2,229,313	2,198,253
Equity derivatives						
Swaps	**2,077,197**	**205,784**	**192,488**	1,061,144	29,012	28,959
OTC options – bought	**1,866,694**	**124,161**	**4,113**	1,659,130	42,023	13,766
OTC options – sold	**2,078,247**	**44,791**	**137,335**	1,576,791	15,906	41,243
Exchange traded options – bought	**–**	**–**	**–**	184	184	–
Exchange traded futures – bought	**407**	**5**	**88**	148,188	998	–
Exchange traded futures – sold	**199,601**	**–**	**1,620**	263,093	22	1,219
Others	**35**	**4**	**–**	3,073	24	24
	6,222,181	**374,745**	**335,644**	4,711,603	88,169	85,211
Credit derivatives						
Swaps – protection buyer	**3,801,266**	**24,593**	**37,448**	5,474,651	5,562	62,540
Swaps – protection seller	**3,161,530**	**33,099**	**24,507**	4,449,184	61,746	5,512
	6,962,796	**57,692**	**61,955**	9,923,835	67,308	68,052
Other derivatives						
Precious metals – bought	**138,576**	**4,180**	**656**	179,679	3,321	990
Precious metals – sold	**171,175**	**914**	**5,125**	201,809	1,066	4,048
OTC options – bought	**1,061,201**	**17,264**	**244**	999,014	5,422	492
OTC options – sold	**1,061,201**	**244**	**17,264**	993,807	492	5,369
Futures – sold	**5,020**	**–**	**4**	8,429	80	–
Commodity swaps	**8,862**	**55**	**1,217**	39,732	715	1,242
	2,446,035	**22,657**	**24,510**	2,422,470	11,096	12,141
Total	**1,040,758,519**	**7,200,942**	**7,104,590**	919,223,614	6,385,941	6,453,975
Included items designated for hedges:						
Fair value and cash flow hedge – IRD	**9,631,425**	**36,978**	**35,583**	5,815,051	43,613	14,989
Hedge of net investments – FED	**3,844,725**	**56,202**	**168,768**	3,170,036	100,564	22,673
	13,476,150	**93,180**	**204,351**	8,985,087	144,177	37,662

(1) # represents amounts less than $500.

18. Derivative Financial Instruments (continued)

For the fair value hedges, the carrying amount at 31 December 2018 relating to the assets and liabilities designated as hedged items were $3,125 million and $5,829 million respectively. The hedged items were mainly fixed rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2018 relating to the assets and liabilities designated as hedged items were $2,898 million and $2,898 million respectively. The hedged items were mainly variable rate loans (financial assets) and deposits (financial liabilities).

	2018			2017		
BANK ($'000)	**Principal notional amount**	**Derivative receivables**	**Derivative payables**	**Principal notional amount**	**Derivative receivables**	**Derivative payables**
Foreign exchange derivatives (FED)						
Forwards	**34,192,396**	**304,902**	**297,395**	26,867,182	197,307	229,522
Swaps	**280,808,610**	**1,905,954**	**1,911,588**	241,666,109	2,533,571	2,415,762
OTC options – bought	**7,722,974**	**109,422**	**31,767**	11,990,517	135,775	29,010
OTC options – sold	**6,334,771**	**11,446**	**75,480**	9,775,087	10,034	108,861
	329,058,751	**2,331,724**	**2,316,230**	290,298,895	2,876,687	2,783,155
Interest rate derivatives (IRD)						
Swaps	**502,147,797**	**2,702,682**	**2,651,294**	445,480,040	2,143,771	2,094,828
OTC options – bought	**837,217**	**15,961**	**–**	846,786	2,156	–
OTC options – sold	**2,840,283**	**–**	**33,372**	2,140,002	–	17,993
Exchange traded options – bought	**2,593,185**	**232**	**–**	–	–	–
Exchange traded options – sold	**1,507,197**	**–**	**873**	–	–	–
Exchange traded futures – bought	**4,875,488**	**891**	**#**	1,643,308	224	82
Exchange traded futures – sold	**13,652,992**	**7**	**4,505**	2,892,394	618	42
	528,454,159	**2,719,773**	**2,690,044**	453,002,530	2,146,769	2,112,945
Equity derivatives						
Swaps	**2,005,364**	**201,925**	**188,629**	1,017,073	26,610	26,545
OTC options – bought	**459,253**	**3,008**	**420**	134,137	1,046	227
OTC options – sold	**692,391**	**41,129**	**16,203**	87,979	2,686	713
Exchange traded futures – bought	**403**	**–**	**–**	148,188	998	–
Exchange traded futures – sold	**199,601**	**–**	**1,620**	263,093	22	1,219
Others	**35**	**4**	**–**	3,073	24	24
	3,357,047	**246,066**	**206,872**	1,653,543	31,386	28,728
Credit derivatives						
Swaps – protection buyer	**3,594,253**	**526**	**37,446**	5,398,439	543	62,529
Swaps – protection seller	**2,956,791**	**33,099**	**440**	4,376,951	61,736	494
	6,551,044	**33,625**	**37,886**	9,775,390	62,279	63,023
Other derivatives						
Precious metals – sold	**23,681**	**–**	**737**	21,735	–	784
	23,681	**–**	**737**	21,735	–	784
Total	**867,444,682**	**5,331,188**	**5,251,769**	754,752,093	5,117,121	4,988,635
Included items designated for hedges:						
Fair value hedge – FED	**2,932,118**	**54,123**	**149,399**	1,597,531	94,826	–
Fair value hedge – IRD	**5,054,585**	**26,376**	**14,420**	4,345,405	39,366	14,168
Hedge of net investments – FED	**418,862**	**655**	**17,495**	1,268,975	5,738	8,914
	8,405,565	**81,154**	**181,314**	7,211,911	139,930	23,082

(1) # represents amounts less than $500.

18. Derivative Financial Instruments (continued)

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**2,922,337**	3,016,960	**2,122,679**	2,396,441
Other financial institutions	**3,210,477**	2,234,155	**2,563,907**	1,829,856
Corporates	**471,488**	862,664	**403,668**	779,829
Individuals	**542,700**	213,063	**186,994**	51,898
Others	**53,940**	59,099	**53,940**	59,097
	7,200,942	6,385,941	**5,331,188**	5,117,121
Analysed by geography				
Singapore	**1,042,006**	988,051	**1,004,997**	1,067,329
Malaysia	**264,104**	267,057	**45,885**	35,432
Indonesia	**78,361**	61,916	**24,113**	31,714
Greater China	**1,333,831**	996,997	**419,357**	471,177
Other Asia Pacific	**411,441**	363,693	**265,274**	316,683
Rest of the World	**4,071,199**	3,708,227	**3,571,562**	3,194,786
	7,200,942	6,385,941	**5,331,188**	5,117,121

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

19. Other Liabilities

	GROUP			BANK	
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000
Bills payable	**321,970**	437,445	386,578	**238,385**	329,200
Interest payable	**913,634**	776,602	879,291	**500,602**	458,700
Sundry creditors	**3,419,950**	3,750,056	3,228,203	**600,353**	591,947
Others	**1,157,108**	1,101,170	1,096,594	**485,158**	475,623
	5,812,662	6,065,273	5,590,666	**1,824,498**	1,855,470

At 31 December 2018, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $38.6 million (2017: $33.3 million) and $27.6 million (2017: $35.1 million) respectively for the Group.

20. Deferred Tax

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	**1,372,617**	1,092,887	**(10,462)**	(13,169)
Effect of adopting SFRS(I) 9	**47,323**	–	**50,958**	–
Adjusted balance at 1 January	**1,419,940**	1,092,887	**40,496**	(13,169)
Acquisitions	**–**	11,097	**–**	–
Currency translation and others	**27,781**	(2,248)	**104**	2,954
Net charge/(credit) to income statements (Note 10)	**132,108**	(54,911)	**117,750**	(116)
Under/(over) provision in prior years	**429**	4,468	**(34)**	1,412
Net (credit)/charge to equity	**(115,074)**	13,411	**(5,278)**	(1,543)
Net change in life insurance fund tax	**(119,680)**	307,913	**–**	–
At 31 December	**1,345,504**	1,372,617	**153,038**	(10,462)

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	
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000
Deferred tax liabilities					
Accelerated tax depreciation	**87,632**	96,254	90,461	**55,762**	59,460
Unrealised gains on investments	**158,181**	320,378	176,058	**27,101**	1,271
Fair value of depreciable assets acquired in business combination	**164,377**	175,693	187,085	**46,688**	48,561
Provision for policy liabilities	**961,838**	1,011,550	833,324	**–**	–
Regulatory loss allowance reserve	**76,774**	–	–	**76,774**	–
Others	**142,893**	105,340	113,766	**211**	11,333
	1,591,695	1,709,215	1,400,694	**206,536**	120,625
Amount offset against deferred tax assets	**(140,679)**	(193,395)	(142,286)	**(25,193)**	(66,461)
	1,451,016	1,515,820	1,258,408	**181,343**	54,164
Deferred tax assets					
Allowances for impairment of assets	**(64,559)**	(176,248)	(201,041)	**(7,979)**	(97,220)
Tax losses	**(15,690)**	(13,378)	(13,360)	**(15,685)**	(13,378)
Others	**(165,942)**	(146,972)	(93,406)	**(29,834)**	(20,489)
	(246,191)	(336,598)	(307,807)	**(53,498)**	(131,087)
Amount offset against deferred tax liabilities	**140,679**	193,395	142,286	**25,193**	66,461
	(105,512)	(143,203)	(165,521)	**(28,305)**	(64,626)
Net deferred tax liabilities/(assets)	**1,345,504**	1,372,617	1,092,887	**153,038**	(10,462)

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 2018, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $45.4 million (2017: $53.9 million) for the Group, $8.4 million (2017: $8.4 million) for the Bank.

21. Debt Issued

		GROUP		BANK	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unsecured					
Subordinated debt	21.1	**3,246,787**	4,556,224	**2,715,062**	5,524,342
Fixed and floating rate notes	21.2	**3,856,820**	3,424,298	**3,023,694**	2,815,586
Commercial paper	21.3	**18,155,297**	21,380,796	**18,059,731**	21,285,101
Structured notes	21.4	**1,482,821**	1,289,133	**1,482,821**	1,289,133
		26,741,725	30,650,451	**25,281,308**	30,914,162
Secured					
Covered bonds	21.5	**3,530,386**	1,584,295	**3,530,386**	1,584,295
Total debt issued		**30,272,111**	32,234,746	**28,811,694**	32,498,457

21. Debt Issued (continued)

21.1 Subordinated Debt

	Note	Issue date	Maturity date	GROUP 2018 $'000	GROUP 2017 $'000
Issued by the Bank:					
USD1 billion 3.15% notes	(a)	11 Sep 2012	11 Mar 2023	–	1,336,728
USD1 billion 4.00% notes	(b)	15 Apr 2014	15 Oct 2024	**1,354,191**	1,330,147
USD1 billion 4.25% notes	(c)	19 Jun 2014	19 Jun 2024	**1,360,871**	1,357,467
SGD1.5 billion 5.10% notes	(d)	27 Aug 2008	20 Sep 2058	–	1,500,000
				2,715,062	5,524,342
Subordinated debt issued to a subsidiary				–	(1,500,000)
Net subordinated debt issued by the Bank				**2,715,062**	4,024,342
Issued by OCBC Bank (Malaysia) Berhad (OCBC Malaysia):					
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(e)	17 Apr 2009	Not applicable	**131,925**	132,182
Issued by The Great Eastern Life Assurance Company Limited (GEL):					
SGD400 million 4.60% notes	(f)	19 Jan 2011	19 Jan 2026	**399,800**	399,700
Total subordinated debt				**3,246,787**	4,556,224

(a) The subordinated notes were fully redeemed by the Bank on 12 March 2018.

(b) 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(c) 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(d) The subordinated note was fully redeemed by the Bank on 20 September 2018.

(e) 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 Offered 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.

(f) 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

	Note	Issue date	Maturity date	GROUP 2018 $'000	GROUP 2017 $'000
Issued by the Bank:					
AUD300 million floating rate notes	(a)	6 Mar 2015	6 Jun 2019	**289,199**	312,344
AUD500 million floating rate notes	(b)	12 Nov 2015 – 2 Dec 2015	12 Nov 2018	**–**	520,672
AUD300 million floating rate notes	(c)	17 Mar 2016	17 Mar 2020	**289,119**	312,476
AUD500 million floating rate notes	(b)	22 Feb 2017	22 Feb 2018	**–**	520,785
AUD150 million floating rate notes	(b)	22 Jun 2017	10 Dec 2018	**–**	156,238
AUD500 million floating rate notes	(d)	6 Oct 2017 – 6 Nov 2017	6 Oct 2020	**481,898**	520,400
AUD125 million floating rate notes	(b)	30 Nov 2017	30 Nov 2018	**–**	130,187
AUD600 million floating rate notes	(e)	23 Apr 2018	23 Apr 2021	**578,050**	–
AUD500 million floating rate notes	(f)	6 Sep 2018	6 Sep 2021	**481,661**	–
AUD100 million floating rate notes	(g)	28 Nov 2018	24 Feb 2020	**96,400**	–
CNY500 million 3.50% fixed rate notes	(h)	5 Feb 2013	5 Feb 2020	**99,156**	102,563
HKD1.403 billion 1.59% fixed rate notes	(i)	25 Sep 2017	25 Sep 2020	**244,503**	239,921
USD340 million floating rate notes	(j)	17 May 2018	17 May 2021	**463,708**	–
				3,023,694	2,815,586
Issued by OCBC NISP:					
IDR1,235 billion 9.80% fixed rate bonds	(b)	10 Feb 2015	10 Feb 2018	**–**	122,250
IDR380 billion 8.00% fixed rate bonds	(b)	11 May 2016	11 May 2018	**–**	37,594
IDR783 billion 8.25% fixed rate bonds	(k)	11 May 2016	11 May 2019	**73,566**	77,380
IDR1,248 billion 6.75% fixed rate bonds	(b)	22 Aug 2017	2 Sep 2018	**–**	123,332
IDR300 billion 7.30% fixed rate bonds	(k)	22 Aug 2017	22 Aug 2019	**28,174**	29,633
IDR454 billion 7.70% fixed rate bonds	(k)	22 Aug 2017	22 Aug 2020	**42,610**	44,838
IDR975 billion 6.15% fixed rate bonds	(b)	12 Dec 2017	22 Dec 2018	**–**	96,276
IDR175 billion 6.75% fixed rate bonds	(k)	12 Dec 2017	12 Dec 2019	**16,428**	17,279
IDR609 billion 7.20% fixed rate bonds	(k)	12 Dec 2017	12 Dec 2020	**57,141**	60,130
IDR525 billion 6.00% fixed rate bonds	(k)	11 Apr 2018	20 Apr 2019	**49,306**	–
IDR535 billion 6.90% fixed rate bonds	(k)	11 Apr 2018	10 Apr 2021	**46,425**	–
IDR655 billion 6.75% fixed rate bonds	(k)	6 Jul 2018	16 Jul 2019	**61,408**	–
IDR3 billion 7.25% fixed rate bonds	(k)	6 Jul 2018	6 Jul 2020	**281**	–
IDR342 billion 7.75% fixed rate bonds	(k)	6 Jul 2018	6 Jul 2021	**32,014**	–
				407,353	608,712
Issued by Pac Lease Berhad:					
MYR85 million 4.40% fixed rate notes	(h)	13 Nov 2018	13 May 2020	**28,034**	–
Issued by OCBC Wing Hang Bank (China):					
CNY2 billion 4.06% fixed rate bonds	(i)	28 Nov 2018	28 Nov 2021	**397,739**	–
Total fixed and floating rate notes				**3,856,820**	3,424,298

(a) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum.

(b) The notes and bonds were fully redeemed on their respective maturity dates.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.20% per annum.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (continued)

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.60% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.70% per annum.

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.72% per annum.

(g) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.48% per annum.

(h) Interest is payable semi-annually.

(i) Interest is payable annually.

(j) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus 0.45% per annum.

(k) Interest is payable quarterly.

21.3 Commercial Paper

		GROUP	
	Note	2018 $'000	2017 $'000
Issued by the Bank	(a)	**18,059,731**	21,285,101
Issued by Pac Lease Berhad	(b)	**95,566**	95,695
Total commercial paper issued		**18,155,297**	21,380,796

(a) The Bank issued the commercial paper under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding as at 31 December 2018 were issued between 11 January 2018 (2017: 8 March 2017) and 17 December 2018 (2017: 22 December 2017), and mature between 3 January 2019 (2017: 4 January 2018) and 18 October 2019 (2017: 4 October 2018), yielding between 0.42% and 3.01% (2017: 0.23% and 1.60%).

(b) A subsidiary of the Group issued the commercial paper under its MYR1 billion 7-year CP/MTN programme. The notes outstanding as at 31 December 2018 were issued between 30 October 2018 (2017: 9 November 2017) and 26 December 2018 (2017: 22 December 2017), and mature between 4 January 2019 (2017: 4 January 2018) and 25 January 2019 (2017: 22 January 2018), with interest rate ranging from 3.90% to 4.10% (2017: 3.87% to 4.05%).

21.4 Structured Notes

			GROUP	
	Issue date	Maturity date	2018 $'000	2017 $'000
Issued by the Bank:				
Credit linked notes	1 Oct 2012 – 26 Dec 2018	15 Jan 2019 – 15 Apr 2025	**904,054**	980,518
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**109,166**	106,929
Bond linked notes	28 Jul 2016 – 23 Oct 2018	16 Jan 2019 – 12 Nov 2027	**336,680**	194,911
Equity linked notes	5 Apr 2017 – 18 Dec 2017	5 Jan 2018 – 10 Apr 2018	**–**	3,539
Index linked notes	12 Feb 2018 – 9 Nov 2018	20 Feb 2019	**92,877**	–
Fund linked notes	3 Jul 2018 – 23 Oct 2018	14 Jul 2020 – 27 Apr 2023	**40,044**	3,236
			1,482,821	1,289,133

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $738.5 million (2017: $749.1 million) included under credit linked notes and $336.7 million (2017: $194.9 million) included under bond linked notes as at 31 December 2018 which were measured at fair value through profit or loss.

21. Debt Issued (continued)

21.4 Structured Notes (continued)

In accordance with SFRS(I) 9, 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 2.8).

21.5 Covered Bonds

			GROUP	
	Issue date	Maturity date	2018 $'000	2017 $'000
Issued by the Bank:				
EUR1 billion 0.25% fixed rate bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	**1,550,803**	1,584,295
EUR500 million 0.375% fixed rate bonds	1 Mar 2018	1 Mar 2023	**778,013**	–
EUR500 million 0.625% fixed rate bonds	18 Apr 2018	18 Apr 2025	**769,489**	–
GBP250 million floating rate bonds	14 Mar 2018	14 Mar 2023	**432,081**	–
			3,530,386	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

GROUP ($'000)	Subordinated debt	Fixed and floating rate notes	Commercial paper	Structured notes	Covered bonds	Total
At 1 January 2017	6,503,170	3,564,849	8,572,419	1,306,941	–	19,947,379
Cash flows	(1,521,099)	(62,296)	13,706,523	58,162	1,540,594	13,721,884
Non-cash changes						
Currency translation	(396,401)	(77,930)	(959,433)	(102,808)	(53,473)	(1,590,045)
Others	(29,446)	(325)	61,287	26,838	97,174	155,528
At 31 December 2017/1 January 2018	**4,556,224**	**3,424,298**	**21,380,796**	**1,289,133**	**1,584,295**	**32,234,746**
Cash flows	**(1,314,217)**	**551,435**	**(3,428,339)**	**179,917**	**2,062,413**	**(1,948,791)**
Non-cash changes						
Currency translation	**32,686**	**(210,191)**	**43,008**	**8,191**	**55,247**	**(71,059)**
Others	**(27,906)**	**91,278**	**159,832**	**5,580**	**(171,569)**	**57,215**
At 31 December 2018	**3,246,787**	**3,856,820**	**18,155,297**	**1,482,821**	**3,530,386**	**30,272,111**

22. Life Insurance Fund Liabilities and Investment Assets

	GROUP	
	2018 $ million	2017 $ million
Life insurance fund liabilities		
Movements in life insurance fund		
At 1 January	**65,151.0**	54,900.2
Effect of adopting SFRS(I) 9	**(3.2)**	–
Adjusted balance at 1 January	**65,147.8**	54,900.2
Currency translation	**(70.1)**	493.6
Fair value reserve movements	**(0.9)**	1,541.0
Change in life insurance contract liabilities (Note 4)	**3,183.4**	8,216.2
At 31 December	**68,260.2**	65,151.0
Policy benefits	**4,192.0**	3,742.8
Others	**2,476.2**	2,659.5
	74,928.4	71,553.3
Life insurance fund investment assets		
Deposits with banks and financial institutions	**3,736.7**	3,350.1
Loans	**1,321.8**	3,601.2
Securities	**66,261.4**	63,847.3
Investment property	**1,771.3**	1,553.0
Others [1]	**3,775.8**	1,575.8
	76,867.0	73,927.4
Life insurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**270.5**	286.8
Deferred tax	**1,127.5**	1,310.8
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**1,261.1**	848.1
Property, plant and equipment	**569.1**	577.3
The following contracts were entered into under the life insurance fund:		
Operating lease commitments	**60.5**	13.6
Capital commitment authorised and contracted	**125.3**	195.2
Derivative financial instruments (principal notional amount)	**19,566.8**	15,717.4
Derivative receivables	**219.8**	237.8
Derivative payables	**289.7**	366.0
Minimum lease rental receivables under non-cancellable operating leases	**59.9**	67.8

[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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash on hand	**830,022**	821,384	**479,568**	501,602
Non-restricted balances with central banks	**414,133**	576,462	**397,311**	441,851
Money market placements and reverse repos with central banks	**12,141,366**	12,436,751	**9,889,207**	10,038,033
Cash and cash equivalents	**13,385,521**	13,834,597	**10,766,086**	10,981,486
Restricted balances with central banks – mandatory reserve deposits	**5,364,879**	5,759,826	**2,975,330**	3,373,159
Gross cash and placements with central banks	**18,750,400**	19,594,423	**13,741,416**	14,354,645
Allowances for non-impaired placements with central banks	**(2,316)**	–	**(1,330)**	–
Net cash and placements with central banks	**18,748,084**	19,594,423	**13,740,086**	14,354,645

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Singapore government treasury bills and securities				
Mandatorily measured at FVTPL	**1,587,244**	–	**1,587,244**	–
FVOCI	**8,023,309**	–	**7,698,270**	–
Gross securities	**9,610,553**	–	**9,285,514**	–
Assets pledged (Note 46.1)	**–**	–	**(312,750)**	–
	9,610,553	–	**8,972,764**	–
Other government treasury bills and securities				
Mandatorily measured at FVTPL	**2,348,126**	–	**1,573,211**	–
Designated as FVTPL	**9,634**	–	**–**	–
FVOCI	**15,461,436**	–	**6,322,283**	–
Amortised cost	**374,163**	–	**374,163**	–
Gross securities	**18,193,359**	–	**8,269,657**	–
Allowances for non-impaired other government treasury bills and securities	**(2)**	–	**(2)**	–
Net securities	**18,193,357**	–	**8,269,655**	–
Assets pledged (Note 46.1)	**(27,962)**	–	**(10,504)**	–
	18,165,395	–	**8,259,151**	–
Singapore government treasury bills and securities				
Trading, at fair value	**–**	938,081	**–**	938,081
Available-for-sale, at fair value	**–**	8,901,900	**–**	8,694,150
Gross securities	**–**	9,839,981	**–**	9,632,231
Assets pledged (Note 46.1)	**–**	–	**–**	(543,483)
	–	9,839,981	**–**	9,088,748
Other government treasury bills and securities				
Trading, at fair value	**–**	3,327,086	**–**	2,744,271
Available-for-sale, at fair value	**–**	14,278,113	**–**	5,705,569
Fair value at initial recognition	**–**	31,580	**–**	–
Gross securities	**–**	17,636,779	**–**	8,449,840
Assets pledged (Note 46.1)	**–**	(5,878)	**–**	(5,878)
	–	17,630,901	**–**	8,443,962
Gross securities analysed by geography				
Singapore	**9,610,553**	9,839,981	**9,285,514**	9,632,231
Malaysia	**3,667,401**	2,750,856	**72,479**	45,366
Indonesia	**2,783,220**	2,805,815	**132,547**	502,942
Greater China	**5,474,780**	4,048,649	**3,558,972**	2,287,278
Other Asia Pacific	**4,047,049**	5,297,243	**3,865,532**	5,018,966
Rest of the World	**2,220,905**	2,734,216	**640,123**	595,288
	27,803,908	27,476,760	**17,555,167**	18,082,071

25. Placements with and Loans to Banks

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At fair value:				
Certificates of deposit held				
Mandatorily measured at FVTPL	**2,629,522**	–	**2,629,522**	–
FVOCI	**11,075,847**	–	**6,162,733**	–
Trading	**–**	2,457,213	**–**	2,163,130
Available-for-sale	**–**	17,746,878	**–**	9,518,198
	13,705,369	20,204,091	**8,792,255**	11,681,328
At amortised cost:				
Placements with and loans to banks	**21,761,491**	24,931,687	**17,978,372**	20,434,143
Market bills purchased	**1,856,086**	1,497,942	**1,856,086**	1,497,942
Reverse repos	**588,845**	2,090,636	**569,725**	1,334,420
	24,206,422	28,520,265	**20,404,183**	23,266,505
Balances with banks	**37,911,791**	48,724,356	**29,196,438**	34,947,833
Assets pledged (Note 46.1)	**(124,661)**	(195,160)	**(120,782)**	(191,991)
Bank balances of life insurance fund – at amortised cost	**1,261,109**	848,159	**–**	–
Placements with and loans to banks	**39,048,239**	49,377,355	**29,075,656**	34,755,842
Allowances for non-impaired placements with and loans to banks	**(13,294)**	–	**(11,669)**	–
Net placements with and loans to banks	**39,034,945**	49,377,355	**29,063,987**	34,755,842
Balances with banks analysed:				
By currency				
Singapore Dollar	**529,326**	960,653	**63,105**	2,126
US Dollar	**29,592,788**	34,166,592	**24,999,883**	28,993,290
Malaysian Ringgit	**1,269,547**	813,395	**22**	30
Indonesian Rupiah	**221,494**	308,075	**2**	2
Japanese Yen	**636,280**	481,449	**473,597**	353,771
Hong Kong Dollar	**694,681**	1,097,732	**328,338**	341,111
British Pound	**663,379**	1,307,231	**651,912**	1,302,634
Australian Dollar	**621,790**	946,091	**614,725**	944,440
Euro	**620,723**	969,799	**592,160**	930,573
Chinese Renminbi	**2,837,347**	6,277,812	**1,342,702**	848,278
Others	**224,436**	1,395,527	**129,992**	1,231,578
	37,911,791	48,724,356	**29,196,438**	34,947,833
By geography				
Singapore	**534,331**	1,390,164	**43,129**	559,222
Malaysia	**4,144,996**	4,593,798	**2,786,040**	3,624,636
Indonesia	**810,186**	819,201	**584,228**	501,300
Greater China	**25,527,495**	34,472,297	**20,817,983**	24,665,874
Other Asia Pacific	**1,598,469**	3,774,023	**1,474,385**	3,573,309
Rest of the World	**5,296,314**	3,674,873	**3,490,673**	2,023,492
	37,911,791	48,724,356	**29,196,438**	34,947,833

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

26. Loans and Bills Receivable

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross loans				
Amortised cost	**257,432,456**	237,321,180	**158,152,944**	145,244,428
Mandatorily measured at FVTPL	**272,284**	–	**250,324**	–
	257,704,740	237,321,180	**158,403,268**	145,244,428
Allowances				
Impaired loans (Note 28)	**(1,218,428)**	(1,236,441)	**(949,044)**	(946,892)
Non-impaired loans (Note 30)	**(984,042)**	(1,416,867)	**(557,588)**	(781,049)
Net loans	**255,502,270**	234,667,872	**156,896,636**	143,516,487
Assets pledged (Note 46.1)	**(309,155)**	(526,414)	**–**	–
	255,193,115	234,141,458	**156,896,636**	143,516,487
Bills receivable	**9,360,743**	7,797,729	**7,842,766**	6,004,147
Loans	**246,141,527**	226,870,143	**149,053,870**	137,512,340
Net loans	**255,502,270**	234,667,872	**156,896,636**	143,516,487

26.1 Analysed by Currency

Singapore Dollar	**91,640,431**	85,485,399	**88,198,585**	82,005,799
US Dollar	**67,248,176**	61,444,632	**43,946,869**	39,953,861
Malaysian Ringgit	**20,870,139**	20,481,329	**77**	90
Indonesian Rupiah	**8,695,113**	7,795,329	**–**	–
Japanese Yen	**2,217,464**	1,963,087	**314,799**	255,615
Hong Kong Dollar	**35,194,442**	33,010,680	**8,565,138**	8,156,189
British Pound	**8,132,166**	6,988,482	**5,551,822**	4,391,218
Australian Dollar	**7,643,615**	7,548,011	**6,502,973**	6,304,308
Euro	**7,384,950**	5,292,929	**2,505,969**	2,254,980
Chinese Renminbi	**4,501,640**	4,625,667	**706,886**	686,963
Others	**4,176,604**	2,685,635	**2,110,150**	1,235,405
	257,704,740	237,321,180	**158,403,268**	145,244,428

26.2 Analysed by Product

Overdrafts	**4,647,930**	4,875,295	**761,101**	771,498
Short-term and revolving loans	**65,151,098**	57,786,503	**25,767,520**	22,763,064
Syndicated and term loans	**82,626,139**	73,353,010	**67,750,716**	59,695,120
Housing and commercial property loans	**73,372,488**	72,310,789	**43,507,846**	43,648,865
Car, credit card and share margin loans	**5,402,136**	5,341,737	**3,062,877**	2,957,539
Others	**26,504,949**	23,653,846	**17,553,208**	15,408,342
	257,704,740	237,321,180	**158,403,268**	145,244,428

26. Loans and Bills Receivable (continued)

	GROUP 2018 $'000	GROUP 2017 $'000	BANK 2018 $'000	BANK 2017 $'000
26.3 Analysed by Industry				
Agriculture, mining and quarrying	**8,893,658**	8,073,040	**5,616,792**	5,154,957
Manufacturing	**16,703,298**	12,501,394	**8,807,566**	5,235,364
Building and construction	**53,571,633**	35,436,446	**42,300,732**	25,856,166
Housing	**64,753,306**	64,542,075	**41,466,082**	41,525,764
General commerce	**34,663,590**	29,009,556	**25,750,705**	20,954,937
Transport, storage and communication	**13,917,053**	11,567,639	**11,508,286**	8,271,973
Financial institutions, investment and holding companies	**22,144,232** [1]	37,837,914	**2,948,083** [2]	21,457,864
Professionals and individuals	**30,373,342**	28,703,675	**10,104,165**	10,036,423
Others	**12,684,628**	9,649,441	**9,900,857**	6,750,980
	257,704,740	237,321,180	**158,403,268**	145,244,428

[1] The Group's exposure to investment and other holding companies amounting to $25 billion were recategorised to the underlying industries, mainly to building and construction of $11 billion and general commerce of $4 billion.

[2] The Bank's exposure to investment and other holding companies amounting to $23 billion were recategorised to the underlying industries, mainly to building and construction of $9 billion and general commerce of $4 billion.

26.4 Analysed by Interest Rate Sensitivity

	GROUP 2018 $'000	GROUP 2017 $'000	BANK 2018 $'000	BANK 2017 $'000
Fixed				
Singapore	**6,539,937**	5,081,001	**6,503,468**	5,042,276
Malaysia	**2,993,547**	2,781,704	**–**	–
Indonesia	**1,316,923**	1,052,579	**–**	–
Greater China	**7,564,856**	6,445,713	**3,463,554**	2,819,277
Other Asia Pacific	**159,583**	198,063	**159,583**	198,063
Rest of the World	**10,121**	10,250	**10,121**	10,250
	18,584,967	15,569,310	**10,136,726**	8,069,866
Variable				
Singapore	**149,474,230**	137,028,337	**120,778,492**	111,291,106
Malaysia	**26,129,536**	25,056,008	**5,819,001**	4,853,990
Indonesia	**9,860,402**	9,532,855	**–**	–
Greater China	**38,338,821**	37,464,189	**6,352,265**	8,358,985
Other Asia Pacific	**8,066,327**	7,195,406	**8,066,327**	7,195,406
Rest of the World	**7,250,457**	5,475,075	**7,250,457**	5,475,075
	239,119,773	221,751,870	**148,266,542**	137,174,562
Total	**257,704,740**	237,321,180	**158,403,268**	145,244,428

The analysis by interest rate sensitivity is based on whether fixed or variable rate pricing, further categorised by where the transactions are booked.

26.5 Analysed by Geography

	GROUP 2018 $'000	GROUP 2017 $'000	BANK 2018 $'000	BANK 2017 $'000
Singapore	**108,168,765**	99,872,340	**97,308,133**	89,992,765
Malaysia	**29,648,843**	28,231,427	**5,197,628**	4,463,021
Indonesia	**19,659,690**	19,259,046	**6,669,618**	6,881,704
Greater China	**64,404,247**	59,114,039	**25,405,101**	23,167,824
Other Asia Pacific	**13,595,538**	12,753,546	**10,429,773**	10,089,738
Rest of the World	**22,227,657**	18,090,782	**13,393,015**	10,649,376
	257,704,740	237,321,180	**158,403,268**	145,244,428

The analysis by geography is based on where the credit risk resides.

27. Non-Performing Loans (NPLs), Debt Securities and Contingents

NPLs, 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	Allowances for impaired assets	Net loans, securities and contingents
GROUP						
2018						
Classified loans	**2,312**	**1,145**	**381**	**3,838**	**(1,211)**	**2,627**
Classified debt securities	**–**	**2**	**#**	**2**	**(2)**	**#**
Classified contingents	**44**	**54**	**–**	**98**	**(6)**	**92**
Total classified assets	**2,356**	**1,201**	**381**	**3,938**	**(1,219)**	**2,719**
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
BANK						
2018						
Classified loans	**1,758**	**925**	**184**	**2,867**	**(944)**	**1,923**
Classified debt securities	**–**	**–**	**#**	**#**	**–**	**#**
Classified contingents	**44**	**51**	**–**	**95**	**(5)**	**90**
Total classified assets	**1,802**	**976**	**184**	**2,962**	**(949)**	**2,013**
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

(1) # represents amounts less than $0.5 million.

	GROUP		BANK	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million
27.1 Analysed by Period Overdue				
Over 180 days	**1,225**	1,212	**691**	603
Over 90 days to 180 days	**397**	257	**282**	167
30 days to 90 days	**396**	313	**332**	234
Less than 30 days	**164**	48	**21**	43
No overdue	**1,756**	1,638	**1,636**	1,554
	3,938	3,468	**2,962**	2,601
27.2 Analysed by Collateral Type				
Property	**855**	752	**318**	286
Fixed deposit	**5**	3	**1**	2
Stock and shares	**6**	12	**2**	8
Motor vehicles	**3**	2	**1**	1
Secured – Others	**1,756**	1,848	**1,656**	1,699
Unsecured – Corporate and other guarantees	**759**	375	**685**	348
Unsecured – Clean	**554**	476	**299**	257
	3,938	3,468	**2,962**	2,601

27. Non-Performing Loans (NPLs), Debt Securities and Contingents (continued)

	GROUP		BANK	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**567**	317	**537**	250
Manufacturing	**398**	307	**231**	167
Building and construction	**143**	59	**73**	14
Housing	**429**	393	**239**	213
General commerce	**727**	291	**428**	88
Transport, storage and communication	**1,358**	1,278	**1,269**	1,176
Financial institutions, investment and holding companies	**42** [1]	412	**1** [1]	388
Professionals and individuals	**118**	146	**49**	62
Others	**156**	265	**135**	243
	3,938	3,468	**2,962**	2,601

[1] The Group's and Bank's exposure to investment and other holding companies amounting to $358 million were recategorised to the underlying industries, mainly to agriculture, mining and quarrying of $120 million and transport, storage and communication of $93 million.

27.4 Analysed by Geography

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2018						
Substandard	**923**	**395**	**406**	**120**	**512**	**2,356**
Doubtful	**433**	**369**	**95**	**106**	**198**	**1,201**
Loss	**184**	**42**	**118**	**36**	**1**	**381**
	1,540	**806**	**619**	**262**	**711**	**3,938**
Allowances for impaired assets	**(483)**	**(333)**	**(197)**	**(61)**	**(145)**	**(1,219)**
	1,057	**473**	**422**	**201**	**566**	**2,719**
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
Allowances for impaired assets	(320)	(340)	(230)	(61)	(296)	(1,247)
	812	522	359	171	357	2,221
BANK						
2018						
Substandard	**923**	**104**	**285**	**14**	**476**	**1,802**
Doubtful	**430**	**252**	**57**	**39**	**198**	**976**
Loss	**184**	**–**	**–**	**#**	**–**	**184**
	1,537	**356**	**342**	**53**	**674**	**2,962**
Allowances for impaired assets	**(480)**	**(203)**	**(94)**	**(28)**	**(144)**	**(949)**
	1,057	**153**	**248**	**25**	**530**	**2,013**
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
Allowances for impaired assets	(315)	(204)	(113)	(28)	(295)	(955)
	813	175	277	48	333	1,646

[1] # represents amounts less than $0.5 million.

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 allowances are shown below. The restructured loans as a percentage of total NPLs were 24.3% (2017: 28.3%) and 27.4% (2017: 34.7%) for the Group and the Bank respectively.

	2018		2017	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**765**	**113**	703	242
Doubtful	**157**	**99**	211	128
Loss	**33**	**12**	52	42
	955	**224**	966	412
BANK				
Substandard	**663**	**107**	689	235
Doubtful	**131**	**78**	197	116
Loss	**17**	**#**	–	–
	811	**185**	886	351

(1) # represents amounts less than $0.5 million.

28. Allowances for Impaired Loans and Bills Receivable

	GROUP		BANK	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million
At 1 January	**1,236**	617	**947**	321
Effect of adopting SFRS(I) 9 [1]	**(#)**	–	**–**	–
Adjusted balance at 1 January	**1,236**	617	**947**	321
Currency translation	**11**	(29)	**19**	(20)
Bad debts written off	**(413)**	(741)	**(279)**	(584)
Recovery of amounts previously provided for	**(63)**	(65)	**(38)**	(38)
Allowances for loans	**460**	1,472	**305**	1,283
Net allowances charged to income statements (Note 9)	**397**	1,407	**267**	1,245
Interest recognition on impaired loans	**(34)**	(20)	**(26)**	(15)
Transfers	**22**	2	**21**	–
At 31 December (Note 26)	**1,219**	1,236	**949**	947

(1) As first-time adopter of SFRS(I) 9, the Group and the Bank were required to recognise the cumulative effect in revenue reserves as at 1 January 2018.
(2) # represents amounts less than $0.5 million.

28. Allowances for Impaired Loans and Bills Receivable (continued)

Analysed by Industry

	Cumulative allowances for impaired loans		Net allowances for impaired loans charged to income statements	
	2018	2017	2018	2017
	$ million	$ million	$ million	$ million
GROUP				
Agriculture, mining and quarrying	**146**	134	**69**	175
Manufacturing	**64**	63	**33**	93
Building and construction	**17**	12	**6**	48
Housing	**39**	42	**5**	11
General commerce	**272**	139	**185**	92
Transport, storage and communication	**499**	499	**7**	694
Financial institutions, investment and holding companies	**74**	124	**51**	130
Professionals and individuals	**68**	90	**26**	52
Others	**40**	133	**15**	112
	1,219	1,236	**397**	1,407
BANK				
Agriculture, mining and quarrying	**145**	132	**20**	165
Manufacturing	**27**	19	**25**	63
Building and construction	**3**	5	**(1)**	9
Housing	**7**	5	**–**	–
General commerce	**159**	41	**123**	45
Transport, storage and communication	**462**	450	**4**	663
Financial institutions, investment and holding companies	**72**	123	**50**	135
Professionals and individuals	**42**	58	**16**	42
Others	**32**	114	**30**	123
	949	947	**267**	1,245

29. Debt and Equity Securities

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Mandatorily measured at FVTPL				
Quoted debt securities	**1,831,030**	–	**1,351,660**	–
Unquoted debt securities	**1,946,771**	–	**1,586,508**	–
Quoted equity securities	**786,867**	–	**273,253**	–
Unquoted equity securities	**428,149**	–	**370,946**	–
Quoted investment funds	**759,162**	–	**191,001**	–
Unquoted investment funds	**407,969**	–	**15,624**	–
	6,159,948	–	**3,788,992**	–
Designated as FVTPL				
Unquoted debt securities	**17,179**	–	**–**	–
FVOCI				
Quoted debt securities	**13,840,166**	–	**5,820,756**	–
Unquoted debt securities	**4,547,781**	–	**2,684,965**	–
Quoted equity securities	**1,163,164**	–	**27,040**	–
Unquoted equity securities	**306,342**	–	**63,447**	–
Unquoted investment funds	**58,418**	–	**58,418**	–
	19,915,871	–	**8,654,626**	–
Amortised cost				
Quoted debt securities	**74,731**	–	**74,731**	–
Unquoted debt securities	**17,594**	–	**17,594**	–
	92,325	–	**92,325**	–
Allowances for non-impaired debt securities at amortised cost	**(21)**	–	**(21)**	–
	92,304	–	**92,304**	–
Trading securities				
Quoted debt securities	**–**	2,405,387	**–**	1,734,274
Unquoted debt securities	**–**	2,036,775	**–**	1,652,324
Quoted equity securities	**–**	321,935	**–**	321,761
Quoted investment funds	**–**	185,260	**–**	185,241
	–	4,949,357	**–**	3,893,600
Fair value at initial recognition				
Quoted debt securities	**–**	5,711	**–**	–
Unquoted debt securities	**–**	110,299	**–**	–
Quoted equity securities	**–**	119,350	**–**	–
Quoted investment funds	**–**	3,770	**–**	–
	–	239,130	**–**	–
Available-for-sale securities				
Quoted debt securities	**–**	11,537,351	**–**	6,001,654
Unquoted debt securities	**–**	5,214,446	**–**	3,106,991
Quoted equity securities	**–**	1,962,108	**–**	33,509
Unquoted equity securities	**–**	625,350	**–**	462,086
Quoted investment funds	**–**	442,708	**–**	–
Unquoted investment funds	**–**	261,878	**–**	58,604
	–	20,043,841	**–**	9,662,844
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**–**	16,891	**–**	16,891
Total debt and equity securities				
Debt securities	**22,275,252**	21,326,860	**11,536,214**	12,512,134
Equity securities	**2,684,522**	3,028,743	**734,686**	817,356
Investment funds	**1,225,549**	893,616	**265,043**	243,845
Total securities	**26,185,323**	25,249,219	**12,535,943**	13,573,335
Allowances for non-impaired debt securities at amortised cost	**(21)**	–	**(21)**	–
	26,185,302	25,249,219	**12,535,922**	13,573,335
Assets pledged (Note 46.1)	**(642,795)**	(328,087)	**(563,312)**	–
	25,542,507	24,921,132	**11,972,610**	13,573,335

29. Debt and Equity Securities (continued)

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**14,737,228**	14,608,282	**8,768,008**	9,066,563
Non-investment grade (BB to C)	**216,511**	309,126	**208,849**	278,894
Non-rated	**7,321,492**	6,409,452	**2,559,336**	3,166,677
	22,275,231	21,326,860	**11,536,193**	12,512,134
By credit quality				
Pass	**22,237,592**	21,266,983	**11,500,247**	12,454,158
Special mention	**35,967**	34,063	**35,967**	34,063
Doubtful	**1,693**	25,408	**–**	23,913
Loss	**–**	406	**–**	–
	22,275,252	21,326,860	**11,536,214**	12,512,134
Allowances for non-impaired debt securities at amortised cost	**(21)**	–	**(21)**	–
	22,275,231	21,326,860	**11,536,193**	12,512,134
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**648,563**	908,971	**322,098**	615,986
Manufacturing	**1,501,931**	1,844,401	**945,079**	1,181,493
Building and construction	**1,596,253**	2,282,357	**614,604**	922,082
General commerce	**674,432**	720,379	**543,486**	583,468
Transport, storage and communication	**1,720,419**	1,786,584	**940,481**	1,034,150
Financial institutions, investment and holding companies	**16,192,145**	14,201,689	**7,842,610**	7,252,369
Others	**3,851,559**	3,504,838	**1,327,564**	1,983,787
	26,185,302	25,249,219	**12,535,922**	13,573,335
By issuer				
Public sector	**1,795,822**	2,540,934	**993,881**	1,944,343
Banks	**8,664,383**	7,118,312	**4,088,931**	3,792,187
Corporations	**14,303,717**	14,605,210	**7,214,696**	7,778,087
Others	**1,421,380**	984,763	**238,414**	58,718
	26,185,302	25,249,219	**12,535,922**	13,573,335
By geography				
Singapore	**3,011,360**	3,293,593	**879,842**	1,340,370
Malaysia	**2,043,048**	1,945,688	**322,047**	153,298
Indonesia	**1,180,226**	1,155,181	**652,542**	686,389
Greater China	**12,270,148**	11,464,113	**5,485,267**	6,321,910
Other Asia Pacific	**4,811,990**	4,976,912	**3,454,398**	3,406,917
Rest of the World	**2,868,530**	2,413,732	**1,741,826**	1,664,451
	26,185,302	25,249,219	**12,535,922**	13,573,335

The analysis by geography is determined based on country of incorporation.

30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
ECL as at 1 January 2018	457	677	1,249	2,383
Transfer to Stage 1	595	(567)	(28)	–
Transfer to Stage 2	(92)	128	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement [(1)]	(696)	439	330	73
New financial assets originated or purchased	606	218	–	824
Financial assets that have been derecognised	(407)	(258)	–	(665)
Changes in models [(2)]	36	–	–	36
Write-offs	–	–	(425)	(425)
Foreign exchange and other movements	(5)	3	11	9
ECL as at 31 December 2018	491	523	1,221	2,235
BANK				
ECL as at 1 January 2018	206	514	955	1,675
Transfer to Stage 1	423	(418)	(5)	–
Transfer to Stage 2	(52)	75	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement [(1)]	(518)	305	227	14
New financial assets originated or purchased	326	145	–	471
Financial assets that have been derecognised	(219)	(190)	–	(409)
Changes in models [(2)]	34	–	–	34
Write-offs	–	–	(287)	(287)
Foreign exchange and other movements	–	5	19	24
ECL as at 31 December 2018	198	375	949	1,522

(1) Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.

(2) Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.

30. Allowances for Financial Assets (continued)

Analysed by Main Class of Financial Instruments

Loans and bills receivable at amortised cost [3]

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
ECL as at 1 January 2018	433	655	1,236	2,324
Transfer to Stage 1	580	(552)	(28)	–
Transfer to Stage 2	(91)	127	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement [1]	(689)	437	329	77
New financial assets originated or purchased	563	212	–	775
Financial assets that have been derecognised	(361)	(246)	–	(607)
Changes in models [2]	36	–	–	36
Write-offs	–	–	(413)	(413)
Foreign exchange and other movements	(2)	2	11	11
ECL as at 31 December 2018	466	518	1,219	2,203
BANK				
ECL as at 1 January 2018	191	495	947	1,633
Transfer to Stage 1	408	(403)	(5)	–
Transfer to Stage 2	(51)	74	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement [1]	(513)	305	227	19
New financial assets originated or purchased	294	144	–	438
Financial assets that have been derecognised	(179)	(184)	–	(363)
Changes in models [2]	34	–	–	34
Write-offs	–	–	(279)	(279)
Foreign exchange and other movements	2	4	19	25
ECL as at 31 December 2018	184	374	949	1,507

(1) Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.

(2) Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.

(3) Includes ECL on contingent liabilities and other credit commitments.

30. Allowances for Financial Assets (continued)

The following tables set out information about the credit quality of financial assets.

		2018				2017
$ million	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
GROUP						
Cash and placements with central banks	23					
Pass		**17,846**	**74**	**–**	**17,920**	18,773
Less: Allowances		**(1)**	**(1)**	**–**	**(2)**	–
Carrying amount		**17,845**	**73**	**–**	**17,918**	18,773
Government treasury bills and securities – Amortised cost	24					
Pass		**374**	**–**	**–**	**374**	–
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**374**	**–**	**–**	**374**	–
Government treasury bills and securities – FVOCI [(1)]/Available-for-sale	24					
Pass		**23,485**	**–**	**–**	**23,485**	23,180
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**23,485**	**–**	**–**	**23,485**	23,180
Placements with and loans to banks – Amortised cost	25					
Pass		**25,139**	**328**	**–**	**25,467**	29,368
Less: Allowances		**(12)**	**(1)**	**–**	**(13)**	–
Carrying amount		**25,127**	**327**	**–**	**25,454**	29,368
Placements with and loans to banks – FVOCI [(1)]/Available-for-sale	25					
Pass		**10,391**	**685**	**–**	**11,076**	17,747
Less: Allowances		**(1)**	**(1)**	**–**	**(2)**	–
Carrying amount		**10,390**	**684**	**–**	**11,074**	17,747
Loans and bills receivable – Amortised cost	26					
Pass		**236,831**	**14,236**	**–**	**251,067**	229,414
Special mention		**–**	**2,527**	**–**	**2,527**	4,492
Substandard		**–**	**–**	**2,312**	**2,312**	2,324
Doubtful		**–**	**–**	**1,145**	**1,145**	693
Loss		**–**	**–**	**381**	**381**	398
		236,831	**16,763**	**3,838**	**257,432**	237,321
Less: Allowances		**(319)**	**(405)**	**(1,213)**	**(1,937)**	(2,649)
Carrying amount		**236,512**	**16,358**	**2,625**	**255,495**	234,672
Debt securities – Amortised cost/Loans and receivables	29					
Pass		**92**	**–**	**–**	**92**	17
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**92**	**–**	**–**	**92**	17
Debt securities – FVOCI [(1)]/Available-for-sale	29					
Pass		**18,221**	**165**	**–**	**18,386**	16,717
Doubtful		**–**	**–**	**2**	**2**	32
Loss		**–**	**–**	**–**	**–**	3
		18,221	**165**	**2**	**18,388**	16,752
Less: Allowances		**(11)**	**(2)**	**(2)**	**(15)**	(13)
Carrying amount		**18,210**	**163**	**#**	**18,373**	16,739

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities					
Pass	**97,859**	**4,286**	**–**	**102,145**	90,678
Special mention	**–**	**466**	**–**	**466**	1,013
Substandard	**–**	**–**	**657**	**657**	243
Doubtful	**–**	**–**	**402**	**402**	308
Loss	**–**	**–**	**304**	**304**	218
	97,859	**4,752**	**1,363**	**103,974**	92,460
Allowances for contingent liabilities and credit commitments	**(147)**	**(113)**	**(6)**	**(266)**	(4)

(1) In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).

(2) # represents amounts less than $0.5 million.

30. Allowances for Financial Assets (continued)

$ million	Note	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total	2017 Total
BANK						
Cash and placements with central banks	23					
Pass		**13,188**	**74**	**–**	**13,262**	13,853
Less: Allowances		**(#)**	**(1)**	**–**	**(1)**	–
Carrying amount		**13,188**	**73**	**–**	**13,261**	13,853
Government treasury bills and securities – Amortised cost	24					
Pass		**374**	**–**	**–**	**374**	–
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**374**	**–**	**–**	**374**	–
Government treasury bills and securities – FVOCI [1] /Available-for-sale	24					
Pass		**14,021**	**–**	**–**	**14,021**	14,400
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**14,021**	**–**	**–**	**14,021**	14,400
Placements with and loans to banks – Amortised cost	25					
Pass		**20,240**	**164**	**–**	**20,404**	23,267
Less: Allowances		**(11)**	**(#)**	**–**	**(11)**	–
Carrying amount		**20,229**	**164**	**–**	**20,393**	23,267
Placements with and loans to banks – FVOCI [1] /Available-for-sale	25					
Pass		**6,014**	**149**	**–**	**6,163**	9,518
Less: Allowances		**(#)**	**(#)**	**–**	**(#)**	–
Carrying amount		**6,014**	**149**	**–**	**6,163**	9,518
Loans and bills receivable – Amortised cost	26					
Pass		**145,918**	**7,509**	**–**	**153,427**	139,053
Special mention		**–**	**1,859**	**–**	**1,859**	3,635
Substandard		**–**	**–**	**1,758**	**1,758**	1,882
Doubtful		**–**	**–**	**925**	**925**	528
Loss		**–**	**–**	**184**	**184**	146
		145,918	**9,368**	**2,867**	**158,153**	145,244
Less: Allowances		**(118)**	**(288)**	**(944)**	**(1,350)**	(1,724)
Carrying amount		**145,800**	**9,080**	**1,923**	**156,803**	143,520
Debt securities – Amortised cost/Loans and receivables	29					
Pass		**92**	**–**	**–**	**92**	17
Less: Allowances		**(#)**	**–**	**–**	**(#)**	–
Carrying amount		**92**	**–**	**–**	**92**	17
Debt securities – FVOCI [1] /Available-for-sale	29					
Pass		**8,506**	**#**	**–**	**8,506**	9,079
Doubtful		**–**	**–**	**–**	**–**	30
		8,506	**#**	**–**	**8,506**	9,109
Less: Allowances		**(3)**	**(#)**	**–**	**(3)**	(8)
Carrying amount		**8,503**	**#**	**–**	**8,503**	9,101

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities		Stage 1	Stage 2	Stage 3	Total	2017 Total
Pass		**68,923**	**2,640**	**–**	**71,563**	66,059
Special mention		**–**	**337**	**–**	**337**	827
Substandard		**–**	**–**	**633**	**633**	242
Doubtful		**–**	**–**	**385**	**385**	291
Loss		**–**	**–**	**260**	**260**	168
		68,923	**2,977**	**1,278**	**73,178**	67,587
Allowances for contingent liabilities and credit commitments		**(66)**	**(86)**	**(5)**	**(157)**	(4)

(1) In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).

(2) # represents amounts less than $0.5 million.

31. Other Assets

	GROUP			BANK	
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000
Interest receivable	**1,162,341**	967,454	886,456	**725,009**	624,417
Sundry debtors (net)	**553,941**	881,684	924,960	**57,999**	31,378
Deposits and prepayments	**931,349**	857,915	1,071,500	**581,469**	550,676
Others	**827,625**	729,615	619,741	**293,027**	265,475
	3,475,256	3,436,668	3,502,657	**1,657,504**	1,471,946

At 31 December 2018, reinsurance assets included in "Others" amounted to $177.3 million (2017: $171.8 million) for the Group.

32. Allowances for Other Impaired Assets

GROUP ($ million)	Associates	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2017	–	63	2	10	75
Currency translation	–	1	(#)	(1)	(#)
Amounts written off	–	–	–	(3)	(3)
Impairment charge/(write-back) to income statements	–	#	(#)	#	(#)
Impairment charge to profit from life insurance	–	#	–	–	#
Transfers to other accounts	–	–	–	(1)	(1)
At 31 December 2017/1 January 2018	**–**	**64**	**2**	**5**	**71**
Currency translation	**–**	**(#)**	**–**	**(#)**	**(#)**
Amounts written off	**(13)**	**(#)**	**–**	**(1)**	**(14)**
Impairment charge/(write-back) to income statements	**13**	**#**	**(#)**	**(3)**	**10**
Impairment charge to profit from life insurance	**–**	**#**	**–**	**–**	**#**
Transfers from other accounts	**–**	**–**	**–**	**3**	**3**
At 31 December 2018	**–**	**64**	**2**	**4**	**70**
		(Note 35)	(Note 36)		

(1) # represents amounts less than $0.5 million.

BANK ($ million)	Associates and subsidiaries	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2017	19	1	2	#	22
Currency translation	(#)	–	–	(#)	(#)
Amounts written off	(5)	–	–	(#)	(5)
Impairment charge to income statements	12	–	–	38	50
Transfers to other accounts	–	–	–	(37)	(37)
At 31 December 2017/1 January 2018	**26**	**1**	**2**	**1**	**30**
Currency translation	**1**	**–**	**–**	**–**	**1**
Amounts written off	**(50)**	**–**	**–**	**(#)**	**(50)**
Impairment charge/(write-back) to income statements	**37**	**–**	**(#)**	**(#)**	**37**
At 31 December 2018	**14**	**1**	**2**	**1**	**18**
	(Notes 33-34)	(Note 35)	(Note 36)		

(1) # represents amounts less than $0.5 million.

33. Associates

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Quoted equity security, at cost	**1,459,670**	1,357,689	**1,015,694**	433,197
Unquoted equity securities, at cost	**145,218**	84,183	**65,096**	61,527
Allowances for impairment (Note 32)	**–**	–	**–**	(12,032)
	1,604,888	1,441,872	**1,080,790**	482,692
Share of post-acquisition reserves	**1,192,391**	766,567	**–**	–
Net carrying amount	**2,797,279**	2,208,439	**1,080,790**	482,692
Unquoted convertible securities, at cost	**305,924**	407,905	**305,924**	407,905
Amounts due from associates (unsecured)	**79,612**	143,185	**1**	131
Allowances for non-impaired amounts due from associates	**(1)**	–	**–**	–
	79,611	143,185	**1**	131
Investments in and amounts due from associates	**3,182,814**	2,759,529	**1,386,715**	890,728

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] 2018	2017
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				
Maxwealth Fund Management Company Limited [1] (Note 33.2)	People's Republic of China	A privately held asset manager that manufactures and distributes mutual funds in Greater China.	**29**	–
Network for Electronic Transfers (Singapore) Pte Ltd [2]	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 KPMG LLP.
(3) Rounded to the nearest percentage.

As at 31 December 2018, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $3.36 billion (2017: $3.71 billion). The carrying amount of the Group's interests was $2.57 billion (2017: $2.07 billion).

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 Acquisition of Interest in an Associate

In January 2018, the Bank, through its subsidiary Lion Global Investors Limited, increased its interest in Maxwealth Fund Management Company Limited (FMC) from 10% to 29%. Accordingly, FMC became an associated company of the Group. The remaining 71% interest in FMC is held by Bank of Ningbo Co., Ltd., which is also an associated company of the Group. There was no material impact to the Group's financial statements.

33. Associates (continued)

33.3 Financial Information of Material Associate

The table below provides the financial information of the Group's material associate:

	Bank of Ningbo Co., Ltd.	
$ million	**2018**	**2017**
Selected income statement information		
Revenue	**5,896**	5,157
Net profit/(loss) from continuing operations	**2,284**	1,909
Other comprehensive income	**565**	(575)
Total comprehensive income	**2,849**	1,334
Selected balance sheet information		
Current assets	**160,857**	149,573
Non-current assets	**61,381**	61,333
Current liabilities	**(176,634)**	(172,372)
Non-current liabilities	**(29,424)**	(26,778)
Net assets	**16,180**	11,756
Non-controlling interests	**(70)**	(24)
Preference shares/other equity instruments issued	**(3,233)**	(1,381)
Net assets attributable to ordinary shareholders	**12,877**	10,351
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	**2,070**	1,893
Group's share of:		
– net profit from continuing operations	**447**	381
– other comprehensive income	**27**	(149)
– total comprehensive income	**474**	232
Dividends	**(81)**	(55)
Conversion of convertible securities	**102**	–
Carrying amount of interest in investee at end of the year	**2,565**	2,070
Dividends received during the year	**81**	55

In addition to the interests in associate disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

$ million	**2018**	**2017**
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**232**	138
For the year ended:		
Aggregate amounts of the Group's share of:		
Net profit/(loss) from continuing operations	**9**	(44)
Other comprehensive income	**(12)**	5
Total comprehensive income	**(3)**	(39)
Dividends received during the year	**9**	9

The Group's share of contingent liabilities in respect of all its associates is as follows:

$ million	**2018**	**2017**
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**5,612**	4,126

34. Subsidiaries

	BANK	
	2018 $'000	**2017 $'000**
Investments in subsidiaries, at cost		
Quoted securities	**1,970,185**	1,970,185
Unquoted securities	**12,927,879**	12,893,583
Allowance for impairment (Note 32)	**(14,189)**	(14,067)
Net carrying amount	**14,883,875**	14,849,701
Amount due from subsidiaries		
Term to maturity of one year or less	**15,115,453**	12,789,594
Term to maturity of more than one year	**7,692,657**	7,184,621
	22,808,110	19,974,215
Of which:		
Unsecured	**22,214,110**	19,373,215
Secured	**594,000**	601,000
	22,808,110	19,974,215
Investments in and amount due from subsidiaries	**37,691,985**	34,823,916

At 31 December 2018, 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 $10.29 billion (2017: $11.50 billion) and $1.56 billion (2017: $1.81 billion) respectively.

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] 2018	2017	Proportion of ownership interests and voting rights held by non-controlling interests (%) [3] 2018	2017
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 [2]	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (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**	92	**8**	8
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.

34. Subsidiaries (continued)

34.1 List of Principal Subsidiaries (continued)

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.

34.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	**2018**	**2017**	**2018**	**2017**
Net assets attributable to NCI	**338**	317	**911**	922
Total comprehensive income attributable to NCI	**21**	26	**30**	146
Dividends paid to NCI during the year	**–**	–	**40**	29
Summarised financial information				
Total assets	**15,831**	14,769	**85,042**	82,347
Total liabilities	**(13,570)**	(12,647)	**(77,520)**	(74,732)
Total net assets	**2,261**	2,122	**7,522**	7,615
Revenue	**762**	801	**12,095**	17,184
Profit	**269**	339	**750**	1,048
Other comprehensive income	**(128)**	(165)	**(502)**	157
Total comprehensive income	**141**	174	**248**	1,205
Cash flows provided by/(used in) operating activities	**782**	(39)	**4,137**	6,570
Cash flows provided by/(used in) investing activities	**(714)**	208	**(3,382)**	(4,968)
Cash flows provided by/(used in) financing activities	**32**	135	**(340)**	(241)
Effect of currency translation reserve adjustment	**19**	5	**(75)**	477
Net changes in cash and cash equivalents	**119**	309	**340**	1,838

34.3 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 $2.06 billion in loans and $2.42 billion in deposits to the Group's consolidated balance sheet.

Total cash received in November 2017 based on estimated net liabilities assumed was $0.40 billion. Final settlement was completed in January 2018.

34. Subsidiaries (continued)

34.4 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 amount of net assets	19.0
Cash consideration received	38.0
Carrying amount 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

34.5 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

	2018				2017			
GROUP ($'000)	**Property-related**	**Computer-related**	**Others**	**Total**	**Property-related**	**Computer-related**	**Others**	**Total**
Cost								
At 1 January	**3,284,332**	**2,015,553**	**586,696**	**5,886,581**	3,306,248	1,940,594	631,844	5,878,686
Currency translation	**17,920**	**(2,584)**	**(960)**	**14,376**	(137,948)	(7,263)	(7,284)	(152,495)
Additions	**21,002**	**225,206**	**50,298**	**296,506**	25,887	212,295	24,062	262,244
Disposal of subsidiaries	**–**	**–**	**–**	**–**	–	(43,836)	(10,971)	(54,807)
Disposals and other transfers	**(2,106)**	**(30,981)**	**(19,770)**	**(52,857)**	(8,527)	(86,237)	(50,955)	(145,719)
Net transfer (to)/from:								
Assets held for sale	**–**	**–**	**(448)**	**(448)**	(3,966)	–	–	(3,966)
Investment property (Note 36)	**51,557**	**–**	**–**	**51,557**	102,638	–	–	102,638
At 31 December	**3,372,705**	**2,207,194**	**615,816**	**6,195,715**	3,284,332	2,015,553	586,696	5,886,581
Accumulated depreciation								
At 1 January	**(644,817)**	**(1,399,086)**	**(446,909)**	**(2,490,812)**	(582,244)	(1,286,249)	(468,427)	(2,336,920)
Currency translation	**858**	**2,356**	**1,246**	**4,460**	11,707	184	4,024	15,915
Disposal of subsidiaries	**–**	**–**	**–**	**–**	–	31,223	9,501	40,724
Disposals and other transfers	**691**	**29,661**	**18,122**	**48,474**	1,502	84,091	55,130	140,723
Depreciation charge	**(69,020)**	**(188,497)**	**(36,261)**	**(293,778)**	(69,037)	(179,840)	(41,452)	(290,329)
Depreciation charge to profit from life insurance (Note 4)	**(12,343)**	**(32,431)**	**(5,898)**	**(50,672)**	(12,050)	(48,495)	(5,685)	(66,230)
Net transfer to/(from):								
Assets held for sale	**–**	**–**	**438**	**438**	102	–	–	102
Investment property (Note 36)	**(12,748)**	**–**	**–**	**(12,748)**	5,203	–	–	5,203
At 31 December	**(737,379)**	**(1,587,997)**	**(469,262)**	**(2,794,638)**	(644,817)	(1,399,086)	(446,909)	(2,490,812)
Accumulated impairment losses (Note 32)								
At 1 January	**(63,044)**	**(63)**	**(543)**	**(63,650)**	(62,511)	(63)	(536)	(63,110)
Currency translation	**24**	**–**	**–**	**24**	(269)	–	–	(269)
Disposals and other transfers	**–**	**–**	**8**	**8**	–	–	–	–
Impairment charge to income statements	**–**	**–**	**(3)**	**(3)**	–	–	(7)	(7)
Impairment charge to profit from life insurance	**(20)**	**–**	**–**	**(20)**	(264)	–	–	(264)
At 31 December	**(63,040)**	**(63)**	**(538)**	**(63,641)**	(63,044)	(63)	(543)	(63,650)
Net carrying amount, at 31 December	**2,572,286**	**619,134**	**146,016**	**3,337,436**	2,576,471	616,404	139,244	3,332,119
Freehold property	**437,283**				436,673			
Leasehold property	**2,135,003**				2,139,798			
Net carrying amount	**2,572,286**				2,576,471			
Fair value hierarchy								
Level 2	**571,848**				523,787			
Level 3	**4,739,759**				4,337,110			
Market value	**5,311,607**				4,860,897			

35. Property, Plant and Equipment (continued)

BANK ($'000)	2018 Property-related	2018 Computer-related	2018 Others	2018 Total	2017 Property-related	2017 Computer-related	2017 Others	2017 Total
Cost								
At 1 January	**338,383**	**1,092,312**	**177,487**	**1,608,182**	357,002	998,545	174,768	1,530,315
Currency translation	**13**	**(21)**	**(136)**	**(144)**	8	(146)	(381)	(519)
Additions	**7**	**95,746**	**9,618**	**105,371**	74	100,581	5,173	105,828
Disposals and other transfers	**–**	**(18,069)**	**(2,962)**	**(21,031)**	–	(6,668)	(2,073)	(8,741)
Net transfer to investment property (Note 36)	**(12,235)**	**–**	**–**	**(12,235)**	(18,701)	–	–	(18,701)
At 31 December	**326,168**	**1,169,968**	**184,007**	**1,680,143**	338,383	1,092,312	177,487	1,608,182
Accumulated depreciation								
At 1 January	**(88,415)**	**(763,673)**	**(140,911)**	**(992,999)**	(87,693)	(661,613)	(131,340)	(880,646)
Currency translation	**(10)**	**18**	**114**	**122**	(5)	116	327	438
Disposals and other transfers	**–**	**16,949**	**2,792**	**19,741**	–	6,592	1,984	8,576
Depreciation charge	**(7,494)**	**(115,457)**	**(10,610)**	**(133,561)**	(7,752)	(108,768)	(11,882)	(128,402)
Net transfer to investment property (Note 36)	**4,317**	**–**	**–**	**4,317**	7,035	–	–	7,035
At 31 December	**(91,602)**	**(862,163)**	**(148,615)**	**(1,102,380)**	(88,415)	(763,673)	(140,911)	(992,999)
Accumulated impairment losses (Note 32)								
At 1 January/31 December	**(820)**	**–**	**–**	**(820)**	(820)	–	–	(820)
Net carrying amount, at 31 December	**233,746**	**307,805**	**35,392**	**576,943**	249,148	328,639	36,576	614,363
Freehold property	**43,811**				44,436			
Leasehold property	**189,935**				204,712			
Net carrying amount	**233,746**				249,148			
Fair value hierarchy								
Level 2	**417,717**				366,205			
Level 3	**274,787**				280,119			
Market value	**692,504**				646,324			

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cost				
At 1 January	**1,180,548**	1,302,538	**654,338**	643,098
Currency translation	**(1,419)**	(5,728)	**79**	(478)
Additions	**691**	1,095	**1,015**	882
Disposals and other transfers	**(9,385)**	(11,615)	**(9,935)**	(5,273)
Net transfer (to)/from:				
Property, plant and equipment (Note 35)	**(51,557)**	(102,638)	**12,235**	18,701
Assets held for sale	**(2,021)**	(3,104)	**–**	(2,592)
At 31 December	**1,116,857**	1,180,548	**657,732**	654,338
Accumulated depreciation				
At 1 January	**(228,685)**	(207,113)	**(121,686)**	(108,900)
Currency translation	**348**	1,094	**(35)**	203
Disposals and other transfers	**4,104**	5,649	**4,325**	2,167
Depreciation charge	**(22,866)**	(24,364)	**(9,217)**	(9,123)
Net transfer to/(from):				
Property, plant and equipment (Note 35)	**12,748**	(5,203)	**(4,317)**	(7,035)
Assets held for sale	**199**	1,252	**–**	1,002
At 31 December	**(234,152)**	(228,685)	**(130,930)**	(121,686)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,397)**	(2,507)	**(2,397)**	(2,397)
Currency translation	**–**	#	**–**	–
Write-back to income statements	**180**	110	**180**	–
At 31 December	**(2,217)**	(2,397)	**(2,217)**	(2,397)
Net carrying amount				
Freehold property	**613,006**	627,262	**195,780**	200,533
Leasehold property	**267,482**	322,204	**328,805**	329,722
At 31 December	**880,488**	949,466	**524,585**	530,255
Fair value hierarchy				
Level 2	**1,160,663**	1,144,470	**384,901**	384,664
Level 3	**1,797,621**	1,847,598	**1,099,433**	1,061,275
Market value	**2,958,284**	2,992,068	**1,484,334**	1,445,939

(1) # represents amounts less than $500.

A description of the valuation methods is provided in Note 35.

37. Goodwill and Intangible Assets

	GROUP 2018 $'000	GROUP 2017 $'000	BANK 2018 $'000	BANK 2017 $'000
Goodwill				
At 1 January	**4,450,790**	4,707,448	**1,867,176**	1,867,176
Acquisitions	**–**	(72,888)	**–**	–
Amounts written off	**–**	(3,267)	**–**	–
Currency translation	**27,801**	(180,503)	**–**	–
At 31 December	**4,478,591**	4,450,790	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**709,050**	765,398		
Acquisitions	**–**	82,414		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(40,757)**	(41,760)		
– Customer relationships [2]	**(14,783)**	(15,433)		
– Life insurance business [3]	**(46,636)**	(46,636)		
Currency translation	**7,073**	(34,933)		
At 31 December	**613,947**	709,050		
Total goodwill and intangible assets	**5,092,538**	5,159,840	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,478,591**	4,450,790	**1,867,176**	1,867,176
Intangible assets, at cost	**1,572,055**	1,559,718	**–**	–
Accumulated amortisation for intangible assets	**(958,108)**	(850,668)	**–**	–
	5,092,538	5,159,840	**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 2018, these have a remaining useful life of 5.5 years (2017: 6.5 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 2018, these have a remaining useful life of up to 8 years (2017: 9 years).

(3) The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2018, the intangible asset has a remaining useful life of 6 years (2017: 7 years).

37. Goodwill and Intangible Assets (continued)

Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's CGU identified mainly to business segments as follows:

		Carrying amount	
Cash Generating Units	Basis of determining recoverable value	2018 $'000	2017 $'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	**822,239**	805,396
Lion Global Investors Limited	Value-in-use	**29,635**	29,635
OCBC Wing Hang Bank Limited	Value-in-use	**1,080,060**	1,059,921
PT Bank OCBC NISP Tbk	Value-in-use	**173,412**	182,580
Others	Value-in-use	**7,288**	7,301
		4,478,591	4,450,790

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	**8.8%**	8.3%	**11.3%**	10.2%	**10.0%**	9.8%	**12.7%**	12.3%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**3.0%**	3.0%	**4.0%**	4.0%

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 insurance 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% (2017: 7.00%) and 8.75% (2017: 8.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance 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 2018							
Net interest income	1,911	2,580	623	823	79	(126)	5,890
Non-interest income	1,496	842	138	302	993	40	3,811
Total income	3,407	3,422	761	1,125	1,072	(86)	9,701
Operating profit before allowances and amortisation	1,370	2,314	495	570	852	(114)	5,487
Amortisation of intangible assets	(15)	–	–	(41)	(46)	–	(102)
Allowances for loans and impairment for other assets	(37)	(489)	6	(32)	5	259	(288)
Operating profit after allowances and amortisation	1,318	1,825	501	497	811	145	5,097
Other information:							
Capital expenditure	58	4	#	20	58	157	297
Depreciation	42	8	1	64	6	196	317
At 31 December 2018							
Segment assets	111,913	139,922	78,819	56,693	85,745	18,536	491,628
Unallocated assets							1,292
Elimination							(25,377)
Total assets							467,543
Segment liabilities	128,101	113,063	58,609	48,236	75,879	23,175	447,063
Unallocated liabilities							2,465
Elimination							(25,377)
Total liabilities							424,151
Other information:							
Gross non-bank loans	94,128	132,028	2,195	33,998	15	(4,659)	257,705
NPAs (include debt securities)	568	3,309	–	211	2	(152)	3,938

(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 2017							
Net interest income	1,780	2,239	691	756	90	(133)	5,423
Non-interest income	1,438	781	63	212	1,390	221	4,105
Total income	3,218	3,020	754	968	1,480	88	9,528
Operating profit before allowances and amortisation	1,312	1,978	493	415	1,208	79	5,485
Amortisation of intangible assets	(15)	–	–	(42)	(47)	–	(104)
Allowances for loans and impairment for other assets	(67)	(574)	(11)	(3)	(17)	1	(671)
Operating profit after allowances and amortisation	1,230	1,404	482	370	1,144	80	4,710
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	82,913	55,874	83,097	15,167	469,737
Unallocated assets							906
Elimination							(17,950)
Total assets							452,693
Segment liabilities	117,287	111,069	55,415	48,251	72,818	21,387	426,227
Unallocated liabilities							2,623
Elimination							(17,950)
Total liabilities							410,900
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.

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
2018					
Singapore	**5,552**	**2,975**	**189**	**271,142**	**266,595**
Malaysia	**1,457**	**913**	**43**	**66,173**	**52,732**
Indonesia	**769**	**354**	**32**	**16,481**	**13,945**
Greater China	**1,477**	**1,037**	**30**	**80,917**	**53,711**
Other Asia Pacific	**212**	**158**	**1**	**14,114**	**8,788**
Rest of the World	**234**	**115**	**2**	**18,716**	**28,380**
	9,701	**5,552**	**297**	**467,543**	**424,151**
2017					
Singapore	5,683	2,760	169	255,873	253,602
Malaysia	1,328	706	53	62,372	50,939
Indonesia	808	449	24	15,361	12,633
Greater China	1,326	978	15	85,757	56,656
Other Asia Pacific	162	119	1	13,399	8,268
Rest of the World	221	87	1	19,931	28,802
	9,528	5,099	263	452,693	410,900

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 support 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, identified, measured, assessed, 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 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 Group overall corporate strategy and within the 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 and control, and reporting of risk exposures and ensuring the adequacy of risk management practices.
- approves risk management frameworks, major risk policies and material risk models.

The BRMC is supported by Group Risk Management (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 establishes relevant risk management frameworks, policies and procedures, risk measurements and methodologies; it also reviews and monitors the Group's risk profiles and portfolio concentrations. Any significant vulnerabilities and risk issues are highlighted to the respective risk management committees. Various risk reports, including key stress test results and action plans, are also submitted regularly to senior management, BRMC and the Board.

The independence of risk management from business functions ensures that the Group achieves 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. Additionally, the Group has a Material Risk Takers (MRTs) framework to define and identify MRTs – employees whose authorities and actions are identified as having material influence on our long-term performance. Specific compensation measures would be commensurate with the risks the MRTs are authorised to take.

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. Together with senior representatives from business units and subsidiaries, GRM facilitates a regular and structured emerging risk forum to identify and deliberate on potential dark clouds and opportunities. Identified emerging risks are actively monitored and updated to reflect changes in the operating environment, and serve as inputs into other risk management areas such as stress testing and portfolio limit setting. Both risk-taking and risk-control units are represented in the risk management committees and emerging risk forum, 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 products or market initiatives are comprehensively identified, measured, assessed and managed before market introduction.

39. Risk Management (continued)

39.2 Credit Risk

Credit risk is the risk of loss of principal and/or income arising from the failure of an obligor or counterparty to meet its financial or contractual obligations. As the primary business of the Group is commercial banking, the Group is exposed to credit risks from its lending activities. Trading and investment banking activities also expose the Group to counterparty and issuer credit risks. For derivative transactions, the total credit exposure is quantified by the positive mark-to-market value of the underlying instruments plus an appropriate add-on factor to cater for potential future exposure.

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	**2018**	**2017**	**2018**	**2017**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**255,193**	234,141	**247,290**	224,653
Placements with and loans to banks	**39,035**	49,377	**40,078**	43,996
Government treasury bills and securities	**27,776**	27,471	**27,014**	26,976
Debt securities	**21,632**	20,999	**21,247**	21,080
Amounts due from associates	**80**	143	**147**	106
Assets pledged	**1,105**	1,056	**2,002**	1,915
Derivative receivables	**7,201**	6,386	**8,110**	6,097
Other assets, comprising interest receivables and sundry debtors	**1,716**	1,849	**921**	2,049
	353,738	341,422	**346,809**	326,872
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**11,964**	10,504	**11,517**	10,275
Credit commitments	**142,714**	128,848	**135,963**	122,375
	154,678	139,352	**147,480**	132,650
Total maximum credit risk exposure	**508,416**	480,774	**494,289**	459,522

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.

71% of the loans and bills receivable as at 31 December 2018 (2017: 73%) 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 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	**2018**	**2017**	**2018**	**2017**
Neither past due nor impaired	**37,912**	48,724	**251,002**	232,020
Non-impaired	**–**	–	**3,731**	2,742
Impaired	**–**	–	**1,592**	1,208
Past due loans	**–**	–	**5,323**	3,950
Impaired but not past due	**–**	–	**1,380**	1,351
Gross loans	**37,912**	48,724	**257,705**	237,321
Allowances				
Impaired loans	**–**	–	**(1,219)**	(1,236)
Non-impaired loans	**(13)**	–	**(984)**	(1,417)
Net loans	**37,899**	48,724	**255,502**	234,668

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	**2018**	**2017**	**2018**	**2017**
Grades				
Performing	**37,912**	48,724	**250,671**	231,796
Non-performing	**–**	–	**331**	224
Neither past due nor impaired	**37,912**	48,724	**251,002**	232,020

Past Due Loans

Analysis of past due loans by industry and geography are as follows:

	Bank loans		Non-bank loans	
$ million	**2018**	**2017**	**2018**	**2017**
By industry				
Agriculture, mining and quarrying	**–**	–	**108**	115
Manufacturing	**–**	–	**734**	303
Building and construction	**–**	–	**271**	156
General commerce	**–**	–	**1,217**	257
Transport, storage and communication	**–**	–	**496**	469
Financial institutions, investment and holding companies	**–**	–	**295**	358
Professionals and individuals (include housing)	**–**	–	**1,935**	2,074
Others	**–**	–	**267**	218
	–	–	**5,323**	3,950
By geography				
Singapore	**–**	–	**1,847**	1,283
Malaysia	**–**	–	**757**	822
Indonesia	**–**	–	**1,719**	742
Greater China	**–**	–	**680**	931
Rest of the World	**–**	–	**320**	172
	–	–	**5,323**	3,950

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. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2018	2017
Past due		
Less than 30 days	**2,795**	1,229
30 to 90 days	**474**	985
Over 90 days	**462**	528
Past due but not impaired	**3,731**	2,742

Impaired Loans and Allowances

Non-bank loans that are determined to be impaired as at the reporting date are as follows:

$ million	2018	2017
Business segment		
Global Consumer Financial Services	**335**	304
Global Corporate Banking	**2,558**	2,159
OCBC Wing Hang	**71**	68
Others	**8**	7
	2,972	2,538

Details on non-performing loans are set out in Note 27. The movements of allowances account for impaired and non-impaired loans are set out in Notes 28 and 30 respectively.

Collateral and Other Credit Enhancements Obtained

Assets amounting to $69 million (2017: $29 million) were obtained by the Group during the year by taking possession of collateral 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 2018					
Hong Kong SAR	**13,678**	**114**	**16,616**	**30,408**	**7.8**
People's Republic of China	**11,222**	**150**	**12,597**	**23,969**	**6.1**
Malaysia	**4,619**	**90**	**11,031**	**15,740**	**4.0**
Indonesia	**2,270**	**1,306**	**9,738**	**13,314**	**3.4**
United States	**3,060**	**2,096**	**2,869**	**8,025**	**2.1**
United Arab Emirates	**1,986**	**–**	**4,857**	**6,843**	**1.8**
Japan	**1,990**	**1,219**	**2,230**	**5,439**	**1.4**
Australia	**2,237**	**–**	**2,003**	**4,240**	**1.1**
United Kingdom	**1,755**	**15**	**2,231**	**4,001**	**1.0**
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	3.9
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	1.5
United Kingdom	2,835	16	2,099	4,950	1.3

[1] Assets (excluding life insurance fund investment assets) of $391 billion (2017: $379 billion).

39.3 Market Risk and Asset Liability Management

Market risk is the risk of loss of income and/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. The Group is exposed to market risks from its trading, client servicing and balance sheet management activities.

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 reviews.

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.

The Asset Liability Management (ALM) framework comprises liquidity risk management, interest rate risk management and structural foreign exchange risk management.

39.3 Market Risk and Asset Liability Management (continued)

Interest Rate Risk

The primary goal of the management of Interest Rate Risk in the Banking Book (IRRBB) is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with the Group's risk appetite.

IRRBB is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of IRRBB 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 our 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 IRRBB management strategies, policies and positions.

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 using a variety of risk metrics. 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 $744 million (2017: $436 million), or approximately +12.6% (2017: +8.0%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $744 million (2017: $446 million) in net interest income, or approximately -12.6% (2017: -8.2%) of reported net interest income.

The 1% rate shock impact on net interest income is based on 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 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)

Interest Rate Risk (continued)

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
2018								
Cash and placements with central banks	**6,828**	**3,222**	**2,569**	**–**	**–**	**889**	**5,240**	**18,748**
Placements with and loans to banks	**4,480**	**4,693**	**9,357**	**15,279**	**–**	**–**	**4,089**	**37,898**
Loans and bills receivable (1)	**46,290**	**81,671**	**87,445**	**28,349**	**6,210**	**2,343**	**3,194**	**255,502**
Securities (2)	**442**	**2,968**	**8,183**	**12,431**	**12,394**	**12,181**	**5,390**	**53,989**
Derivative receivables	**–**	**–**	**–**	**–**	**–**	**–**	**7,201**	**7,201**
Other assets	**170**	**8**	**259**	**#**	**#**	**36**	**3,002**	**3,475**
Amounts due from associates	**–**	**–**	**79**	**–**	**–**	**–**	**1**	**80**
Financial assets	**58,210**	**92,562**	**107,892**	**56,059**	**18,604**	**15,449**	**28,117**	**376,893**
Deposits of non-bank customers	**69,703**	**67,900**	**52,244**	**34,623**	**35,278**	**865**	**34,799**	**295,412**
Deposits and balances of banks	**1,862**	**851**	**1,757**	**58**	**143**	**–**	**2,905**	**7,576**
Trading portfolio liabilities	**–**	**–**	**214**	**–**	**–**	**–**	**–**	**214**
Derivative payables	**–**	**–**	**–**	**–**	**–**	**–**	**7,105**	**7,105**
Other liabilities (3)	**64**	**72**	**121**	**100**	**#**	**–**	**5,822**	**6,179**
Debt issued	**1,551**	**4,080**	**9,886**	**6,843**	**1,701**	**5,718**	**493**	**30,272**
Financial liabilities	**73,180**	**72,903**	**64,222**	**41,624**	**37,122**	**6,583**	**51,124**	**346,758**
On-balance sheet sensitivity gap	**(14,970)**	**19,659**	**43,670**	**14,435**	**(18,518)**	**8,866**		
Off-balance sheet sensitivity gap	**(137)**	**93**	**(5,868)**	**5,774**	**(1,301)**	**1,439**		
Net interest sensitivity gap	**(15,107)**	**19,752**	**37,802**	**20,209**	**(19,819)**	**10,305**		
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	10,617	5,714	52,726
Derivative receivables	–	–	–	–	–	–	6,386	6,386
Other assets	645	10	1	1	17	44	2,719	3,437
Amounts due from associates	–	102	41	–	–	–	–	143
Financial assets	66,334	78,441	111,591	54,369	15,400	13,000	26,543	365,678
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	–	–	6,071	6,286
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	49,670	336,724
On-balance sheet sensitivity gap	23,256	25,606	31,500	(45,222)	8,778	8,163		
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	8,162		

(1) Net of allowances for loans.
(2) Securities comprise 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)

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
2018						
Cash and placements with central banks	**10,761**	**1,753**	**2,014**	**426**	**3,794**	**18,748**
Placements with and loans to banks	**518**	**29,592**	**1,269**	**694**	**5,825**	**37,898**
Loans and bills receivable	**91,021**	**66,333**	**20,562**	**35,114**	**42,472**	**255,502**
Securities [1]	**12,683**	**14,302**	**5,261**	**1,881**	**19,862**	**53,989**
Derivative receivables	**1,855**	**3,392**	**84**	**443**	**1,427**	**7,201**
Other assets	**1,235**	**1,135**	**240**	**321**	**544**	**3,475**
Amounts due from associates	**–**	**–**	**–**	**–**	**80**	**80**
Financial assets	**118,073**	**116,507**	**29,430**	**38,879**	**74,004**	**376,893**
Deposits of non-bank customers	**105,327**	**91,036**	**23,297**	**28,428**	**47,324**	**295,412**
Deposits and balances of banks	**538**	**4,104**	**218**	**649**	**2,067**	**7,576**
Trading portfolio liabilities	**206**	**8**	**–**	**–**	**–**	**214**
Derivative payables	**1,814**	**3,429**	**72**	**445**	**1,345**	**7,105**
Other liabilities [2]	**2,627**	**1,564**	**620**	**609**	**759**	**6,179**
Debt issued	**406**	**20,071**	**256**	**358**	**9,181**	**30,272**
Financial liabilities	**110,918**	**120,212**	**24,463**	**30,489**	**60,676**	**346,758**
Net financial assets/(liabilities) exposure [3]	**7,155**	**(3,705)**	**4,967**	**8,390**	**13,328**	
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	19,691	52,726
Derivative receivables	1,886	2,559	82	551	1,308	6,386
Other assets	1,419	983	192	313	530	3,437
Amounts due from associates	–	–	–	–	143	143
Financial assets	111,772	115,121	27,606	36,605	74,574	365,678
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]	2,747	1,608	612	526	793	6,286
Debt issued	457	21,778	228	327	9,445	32,235
Financial liabilities	104,119	123,907	23,600	30,632	54,466	336,724
Net financial assets/(liabilities) exposure [3]	7,653	(8,786)	4,006	5,973	20,108	

(1) Securities comprise government, debt and equity securities (including assets pledged).
(2) Other liabilities include amounts due to associates.
(3) Net exposure without taking into account the effect of offsetting derivative exposures.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's net investment and retained earnings in overseas branches, subsidiaries as well as other strategic and property assets. The Group manages structural foreign exchange risk through hedges and matched funding for foreign currency investments where appropriate. The table below shows the Group's structural foreign currency exposure at reporting date.

	2018			2017		
$ million	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure
Hong Kong Dollar	**6,785**	**3,081**	**3,704**	6,208	3,110	3,098
US Dollar	**4,024**	**3,216**	**808**	4,180	2,266	1,914
Chinese Renminbi	**4,609**	**–**	**4,609**	3,663	–	3,663
Others	**6,591**	**115**	**6,476**	6,639	640	5,999
Total	**22,009**	**6,412**	**15,597**	20,690	6,016	14,674

Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

		Carrying amount	
$ million	Nominal amount	Assets	Liabilities
2018			
Debt issued	**3,110**	**–**	**3,096**
Foreign exchange derivatives	**3,845**	**56**	**169**
	6,955	**56**	**3,265**

The total change in fair value of the hedging instruments during the year was $114 million and the change in value of the hedging instruments recognised in OCI was $108 million. $6 million loss was recognised in other income arising from hedge ineffectiveness.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk

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

The Group's liquidity management process involves establishing liquidity management policies and limits, and regular monitoring against them. The Group also performs 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.

The table below analyses the carrying amount 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
2018								
Cash and placements with central banks	7,320	3,474	2,569	20	–	–	5,365	18,748
Placements with and loans to banks	6,622	3,375	6,887	20,218	451	345	–	37,898
Loans and bills receivable	19,565	37,045	23,081	26,606	41,075	108,130	–	255,502
Securities [(1)]	449	1,900	4,570	13,644	14,594	14,922	3,910	53,989
Derivative receivables	7,027	2	#	3	6	163	–	7,201
Other assets [(2)]	900	1,182	633	354	46	88	378	3,581
Associates	–	–	79	–	1	–	3,103	3,183
Property, plant and equipment and investment property [(3)]	–	–	2	–	–	–	3,649	3,651
Goodwill and intangible assets	–	–	–	–	–	–	5,093	5,093
Total	41,883	46,978	37,821	60,845	56,173	123,648	21,498	388,846
Total life insurance fund assets								78,697
Total assets								467,543
Deposits of non-bank customers	156,168	42,765	52,937	38,256	2,749	2,537	–	295,412
Deposits and balances of banks	4,885	849	1,739	103	–	–	–	7,576
Trading portfolio liabilities	–	–	214	–	–	–	#	214
Derivative payables	6,901	1	1	10	3	189	–	7,105
Other liabilities [(4)]	2,651	1,001	1,067	1,501	35	84	907	7,246
Debt issued	1,551	3,020	8,822	7,133	3,628	6,118	–	30,272
Total	172,156	47,636	64,780	47,003	6,415	8,928	907	347,825
Total life insurance fund liabilities								76,326
Total liabilities								424,151
Net liquidity gap	(130,273)	(658)	(26,959)	13,842	49,758	114,720		

(1) Securities comprise 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
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	13,231	3,922	52,726
Derivative receivables	6,101	3	10	#	3	269	–	6,386
Other assets [(2)]	1,260	937	335	479	37	82	450	3,580
Associates	–	102	41	–	1	–	2,616	2,760
Property, plant and equipment and investment property [(3)]	–	–	2	37	–	–	3,704	3,743
Goodwill and intangible assets	–	–	–	–	–	–	5,160	5,160
Total	42,348	42,869	42,458	60,705	50,745	116,604	21,612	377,341
Total life insurance fund assets								75,352
Total assets								452,693
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	2,075	53	89	761	7,310
Debt issued	1,343	3,065	10,959	9,251	3,465	4,152	–	32,235
Total	173,484	47,654	55,940	48,929	4,854	6,089	798	337,748
Total life insurance fund liabilities								73,152
Total liabilities								410,900
Net liquidity gap	(131,136)	(4,785)	(13,482)	11,776	45,891	110,515		

(1) Securities comprise 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.

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
2018							
Deposits of non-bank customers [1]	**156,296**	**42,937**	**53,344**	**39,020**	**2,956**	**2,651**	**297,204**
Deposits and balances of banks [1]	**4,887**	**851**	**1,750**	**104**	**1**	**–**	**7,593**
Trading portfolio liabilities	**–**	**–**	**214**	**–**	**–**	**–**	**214**
Other liabilities [2]	**2,456**	**555**	**952**	**507**	**13**	**83**	**4,566**
Debt issued	**1,553**	**3,033**	**8,859**	**7,350**	**3,918**	**6,494**	**31,207**
Net settled derivatives							
Trading	**484**	**309**	**372**	**1,288**	**1,026**	**1,049**	**4,528**
Hedging	**#**	**15**	**2**	**(3)**	**3**	**2**	**19**
Gross settled derivatives							
Trading – Outflow	**46,495**	**59,600**	**64,082**	**65,093**	**27,251**	**19,729**	**282,250**
Trading – Inflow	**(46,473)**	**(59,823)**	**(64,090)**	**(65,102)**	**(27,419)**	**(19,676)**	**(282,583)**
Hedging – Outflow	**6**	**169**	**13**	**81**	**195**	**3,373**	**3,837**
Hedging – Inflow	**–**	**(162)**	**(5)**	**(2)**	**(14)**	**(3,153)**	**(3,336)**
	165,704	**47,484**	**65,493**	**48,336**	**7,930**	**10,552**	**345,499**
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

(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. Risk Management (continued)

39.4 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. 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), Group Investment Committee (Group IC), Group Product Management and Approval Committee (Group PMAC) 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 local Product Development Committee (PDC).

Group IC is responsible for the oversight of all investment management activities of the company with added oversight to ensure that for the insurance funds, the interests and rights of policyholders are not compromised.

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).

Group ITSC is responsible for the management of technology and information risks, and any relevant regulatory and compliance risks relating to technology and cyber security risks.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite to deliver the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

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 objectives are 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 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 regulatory minimum ratios under the Risk based Capital Frameworks established by the Monetary Authority of Singapore (MAS) and Bank Negara, Malaysia (BNM) respectively.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Regulatory Capital (continued)
GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory 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' equity and issued subordinated debt. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2018 amounted to $11.5 billion (2017: $11.8 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2018 amounted to $8.0 billion (2017: $8.2 billion).

Dividend
GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

Financial Risk Management

The 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 activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty, and meet customer needs in investment and retirement provision.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types 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, 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 Risks 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, 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 and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. 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.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

A substantial portion of GEH Group's life insurance 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 below expectations, 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.

Table 39.4(A):
The table below sets out the distribution of the various categories of the life insurance risk as at the balance sheet date, net of reinsurance.

		Life insurance	
Insurance liabilities ($ million)		**2018**	**2017**
(a)	**By class of business**		
	Whole life	**36,350**	35,136
	Endowment	**25,368**	23,172
	Term	**452**	431
	Accident and health	**1,804**	1,751
	Annuity	**520**	535
	Others	**1,099**	1,205
	Total	**65,593**	62,230
(b)	**By country**		
	Singapore	**45,584**	42,745
	Malaysia	**19,384**	18,936
	Others	**625**	549
	Total	**65,593**	62,230

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 are based on parameters set out as follows:

		Change in assumptions
(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

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 39.4(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
2018							
Gross impact	**(100.3)**	**23.1**	**34.7**	**(77.1)**	**55.9**	**(65.4)**	**(26.0)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(100.3)**	**23.1**	**34.7**	**(77.1)**	**55.9**	**(65.4)**	**(26.0)**
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)

Table 39.4(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
2018							
Gross impact	**(76.9)**	**67.2**	**(15.3)**	**11.9**	**(4.4)**	**6.1**	**(24.8)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(76.9)**	**67.2**	**(15.3)**	**11.9**	**(4.4)**	**6.1**	**(24.8)**
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)

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)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)
Table 39.4(C1):

The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date:

Non-life insurance contracts $ million	2018 Gross premium liabilities	2018 Reinsured premium liabilities	2018 Net premium liabilities	2017 Gross premium liabilities	2017 Reinsured premium liabilities	2017 Net premium liabilities
(a) By class of business						
Fire	**19**	**(6)**	**13**	19	(7)	12
Motor	**35**	**(2)**	**33**	30	–	30
Marine and aviation	**3**	**(3)**	**#**	6	(5)	1
Workmen's compensation	**16**	**(4)**	**12**	13	(4)	9
Personal accident and health	**24**	**(2)**	**22**	19	1	20
Miscellaneous	**50**	**(34)**	**16**	42	(29)	13
Total	**147**	**(51)**	**96**	129	(44)	85
(b) By country						
Singapore	**78**	**(35)**	**43**	65	(29)	36
Malaysia	**69**	**(16)**	**53**	64	(15)	49
Total	**147**	**(51)**	**96**	129	(44)	85

Non-life insurance contracts $ million	2018 Gross claims liabilities	2018 Reinsured claims liabilities	2018 Net claims liabilities	2017 Gross claims liabilities	2017 Reinsured claims liabilities	2017 Net claims liabilities
(a) By class of business						
Fire	**29**	**(19)**	**10**	28	(20)	8
Motor	**55**	**(5)**	**50**	56	(3)	53
Marine and aviation	**25**	**(22)**	**3**	23	(20)	3
Workmen's compensation	**26**	**(9)**	**17**	26	(9)	17
Personal accident and health	**18**	**(2)**	**16**	14	(1)	13
Miscellaneous	**84**	**(64)**	**20**	85	(67)	18
Total	**237**	**(121)**	**116**	232	(120)	112
(b) By country						
Singapore	**123**	**(74)**	**49**	110	(61)	49
Malaysia	**114**	**(47)**	**67**	122	(59)	63
Total	**237**	**(121)**	**116**	232	(120)	112

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)
Table 39.4(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 2018

$ million		2011	2012	2013	2014	2015	2016	2017	2018	Total
(a)	**Estimate of cumulative claims**									
	Accident Year	112	93	138	127	166	178	169	163	
	One year later	113	100	131	119	162	178	166	–	
	Two years later	96	97	117	116	134	173	–	–	
	Three years later	92	94	116	112	140	–	–	–	
	Four years later	86	90	120	107	–	–	–	–	
	Five years later	85	87	123	–	–	–	–	–	
	Six years later	83	85	–	–	–	–	–	–	
	Seven years later	83	–	–	–	–	–	–	–	
	Current estimate of cumulative claims	**83**	**85**	**123**	**107**	**140**	**173**	**166**	**163**	
(b)	**Cumulative payments**									
	Accident Year	35	37	37	39	52	82	64	55	
	One year later	64	64	79	87	105	139	107	–	
	Two years later	75	75	91	96	114	154	–	–	
	Three years later	78	81	95	99	128	–	–	–	
	Four years later	80	83	112	101	–	–	–	–	
	Five years later	82	84	120	–	–	–	–	–	
	Six years later	82	84	–	–	–	–	–	–	
	Seven years later	82	–	–	–	–	–	–	–	
	Cumulative payments	**82**	**84**	**120**	**101**	**128**	**154**	**107**	**55**	
(c)	**Non-life gross claim liabilities**	**1**	**1**	**3**	**6**	**12**	**19**	**59**	**108**	**209**
	Reserve for prior years									**28**
	Non-life insurance contract liabilities, gross									**237**

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2018

$ million	2011	2012	2013	2014	2015	2016	2017	2018	Total
(a) Estimate of cumulative claims									
Accident Year	73	64	93	81	83	91	93	106	
One year later	78	70	74	77	79	85	92	–	
Two years later	61	67	72	76	75	83	–	–	
Three years later	59	65	71	75	72	–	–	–	
Four years later	55	63	69	72	–	–	–	–	
Five years later	55	61	67	–	–	–	–	–	
Six years later	53	60	–	–	–	–	–	–	
Seven years later	52	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**52**	**60**	**67**	**72**	**72**	**83**	**92**	**106**	
(b) Cumulative payments									
Accident Year	25	32	30	32	30	41	44	47	
One year later	44	49	55	59	56	66	72	–	
Two years later	49	56	61	65	62	72	–	–	
Three years later	51	58	63	68	64	–	–	–	
Four years later	52	59	65	69	–	–	–	–	
Five years later	52	60	65	–	–	–	–	–	
Six years later	52	60	–	–	–	–	–	–	
Seven years later	52	–	–	–	–	–	–	–	
Cumulative payments	**52**	**60**	**65**	**69**	**64**	**72**	**72**	**47**	
(c) Non-life net claim liabilities	**#**	**#**	**2**	**3**	**8**	**11**	**20**	**59**	**103**
Reserve for prior years									**13**
Non-life insurance contract liabilities, net									**116**

(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 achieving 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, thorough 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 active management and prompt pursuit 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)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (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**
2018					
Provision for adverse deviation margin	**+20%**	**6**	**3**	**(3)**	**(2)**
Loss ratio [1]	**+20%**	**88**	**56**	**(56)**	**(43)**
Claims handling expenses	**+20%**	**2**	**2**	**(2)**	**(1)**
2017					
Provision for adverse deviation margin	+20%	5	3	(3)	(2)
Loss ratio [1]	+20%	85	50	(50)	(39)
Claims handling expenses	+20%	1	1	(1)	(1)

(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 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 the 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)

39.4 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 exposure 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	Total
2018					
Financial assets at FVOCI					
Equity securities	535	192	–	1,125	1,852
Debt securities	3,730	695	2,305	229	6,959
Financial assets at FVTPL					
Equity securities	1,696	6,005	911	3,586	12,198
Debt securities	13,511	14,045	8,967	4,422	40,945
Other investments	4,559	199	3,290	1,520	9,568
Derivative financial assets	217	–	8	2	227
Loans	510	818	2	–	1,330
Insurance receivables	1,115	1,675	#	4	2,794
Other debtors	604	247	132	32	1,015
Cash and cash equivalents	3,505	1,387	541	272	5,705
Financial and insurance-related assets	29,982	25,263	16,156	11,192	82,593
Other creditors	1,168	324	98	22	1,612
Insurance payables	1,359	3,244	4	12	4,619
Derivative financial liabilities	6	2	121	166	295
Provision for agents' retirement benefits	–	276	–	–	276
Debt issued	400	–	–	–	400
Insurance contract liabilities	44,065	19,498	1,764	503	65,830
Financial and insurance-related liabilities	46,998	23,344	1,987	703	73,032

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(b) Foreign Currency Risk (continued)

$ million	SGD	MYR	USD	Others	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	960	289	139	129	1,517
Cash and cash equivalents	3,882	858	325	300	5,365
Financial and insurance-related assets	29,309	24,749	14,684	11,358	80,100
Other creditors	1,344	296	160	295	2,095
Insurance payables	1,105	3,001	4	14	4,124
Derivative financial liabilities	4	14	115	247	380
Provision for agents' retirement benefits	–	276	–	–	276
Debt issued	400	–	–	–	400
Insurance contract liabilities	41,531	19,058	1,390	483	62,462
Financial and insurance-related liabilities	44,384	22,645	1,669	1,039	69,737

(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, 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)

39.4 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
2018					
Financial assets at FVOCI					
Equity securities	–	–	–	1,852	1,852
Debt securities	290	1,962	8,420	–	10,672
Financial assets at FVTPL					
Equity securities	–	–	–	12,198	12,198
Debt securities	2,513	15,748	41,858	–	60,119
Other investments	–	–	–	9,568	9,568
Loans	533	738	216	–	1,487
Insurance receivables	385	3	–	2,406	2,794
Other debtors	952	11	18	34	1,015
Cash and cash equivalents	5,705	–	–	–	5,705
Financial and insurance-related assets	**10,378**	**18,462**	**50,512**	**26,058**	**105,410**
Other creditors	1,580	4	#	28	1,612
Insurance payables	3,571	1,044	–	4	4,619
Provision for agents' retirement benefits	100	59	117	–	276
Debt issued	18	428	–	–	446
Insurance contract liabilities	7,981	14,796	43,033	20	65,830
Financial and insurance-related liabilities	**13,250**	**16,331**	**43,150**	**52**	**72,783**

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 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
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	1,428	4	18	67	1,517
Cash and cash equivalents	5,365	–	–	–	5,365
Financial and insurance-related assets	8,736	16,318	46,063	28,654	99,771
Other creditors	2,008	50	2	35	2,095
Insurance payables	3,247	866	4	7	4,124
Provision for agents' retirement benefits	93	57	126	–	276
Debt issued	18	446	–	–	464
Insurance contract liabilities	8,105	10,857	43,478	22	62,462
Financial and insurance-related liabilities	13,471	12,276	43,610	64	69,421

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 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
2018				
Cash and cash equivalents	**5,170**	**–**	**535**	**5,705**
Other debtors	**948**	**64**	**62**	**1,074**
Insurance receivables	**385**	**2,409**	**–**	**2,794**
Loans	**483**	**847**	**–**	**1,330**
Derivative financial assets	**94**	**129**	**4**	**227**
Investments	**14,207**	**52,046**	**5,268**	**71,521**
Associates	**–**	**2**	**–**	**2**
Intangible assets	**–**	**27**	**–**	**27**
Property, plant and equipment	**–**	**591**	**–**	**591**
Investment properties	**–**	**1,771**	**–**	**1,771**
Assets	**21,287**	**57,886**	**5,869**	**85,042**
Insurance payables	**3,571**	**1,048**	**–**	**4,619**
Other creditors	**1,527**	**33**	**87**	**1,647**
Derivative financial liabilities	**51**	**242**	**2**	**295**
Income tax payable	**501**	**–**	**7**	**508**
Provision for agents' retirement benefits	**100**	**176**	**–**	**276**
Deferred tax	**–**	**1,131**	**1**	**1,132**
Debt issued	**–**	**400**	**–**	**400**
Insurance contract liabilities	**1,886**	**60,582**	**6,176**	**68,644**
Liabilities	**7,636**	**63,612**	**6,273**	**77,521**
2017				
Cash and cash equivalents	5,066	–	299	5,365
Other debtors	1,403	99	84	1,586
Insurance receivables	331	2,370	–	2,701
Loans	168	1,191	–	1,359
Derivative financial assets	115	120	4	239
Investments	10,318	52,716	5,885	68,919
Assets held for sale	4	–	–	4
Associates	–	2	–	2
Intangible assets	–	28	–	28
Property, plant and equipment	–	591	–	591
Investment properties	–	1,553	–	1,553
Assets	17,405	58,670	6,272	82,347
Insurance payables	3,244	868	12	4,124
Other creditors	1,931	86	109	2,126
Derivative financial liabilities	34	342	4	380
Income tax payable	530	–	10	540
Provision for agents' retirement benefits	93	183	–	276
Deferred tax	–	1,353	22	1,375
Debt issued	–	400	–	400
Insurance contract liabilities	1,873	57,345	6,294	65,512
Liabilities	7,705	60,577	6,451	74,733

(1) * represents expected recovery or settlement within 12 months from the balance sheet date.

39. Risk Management (continued)

39.4 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, counterparty and investment grade. 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 through 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 collateral, 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:

		2018		2017	
$ million	**Type of collateral**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Policy loans	Cash value of policies	**2,345**	**4,806**	2,276	4,569
Secured loans	Properties	**605**	**1,033**	679	1,231
Secured loans	Others	**430** [(1)]	**8**	431 [(1)]	8
		3,380	**5,847**	3,386	5,808

(1) This includes secured loans which are guaranteed by the government although there is no collateral held.

There were no securities lending arrangements as at 31 December 2018 (2017: nil).

As at the balance sheet date, no investments (2017: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under standard terms and conditions for securities borrowing and lending activities.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI (2017: available-for-sale). 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 loan commitments, the amounts in the table represent the amounts committed.

	2018				2017
$ million	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Loans at amortised cost					
Investment grade* (BBB to AAA)	**862**	**44**	**–**	**906**	430
Non investment grade* (C to BB)	**40**	**292**	**110**	**442**	109
Not rated	**3**	**–**	**–**	**3**	867
	905	**336**	**110**	**1,351**	1,406
Loss allowance	**(1)**	**(6)**	**(14)**	**(21)**	(47)
Carrying amount	**904**	**330**	**96**	**1,330**	1,359
Debt securities at FVOCI (2017: available-for-sale)					
Investment grade* (BBB to AAA)	**6,581**	**26**	**–**	**6,607**	28,562
Non investment grade* (C to BB)	**294**	**56**	**2**	**352**	29
Not rated	**–**	**–**	**–**	**–**	11,278
	6,875	**82**	**2**	**6,959**	39,869
Loan commitments					
Investment grade* (BBB to AAA)	**26**	**1**	**–**	**27**	22

(1) * Based on internal ratings grades which are equivalent to grades of external rating agencies (2017: Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC).

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out the credit analysis for financial assets other than FVOCI debt securities and loans at amortised cost, measured at FVOCI (2017: Available-for-sale), FVTPL and at amortised cost.

$ million	Investment grade* (BBB to AAA)	Non investment grade* (C to BB)	Not rated	Unit-linked	Not subject to credit risk	Total carrying amount
2018						
Financial assets at FVOCI						
Equity securities	**–**	**–**	**–**	**–**	**1,852**	**1,852**
Financial assets at FVTPL						
Equity securities	**–**	**–**	**1**	**1,979**	**10,218**	**12,198**
Debt securities	**32,254**	**1,433**	**6,013**	**1,245**	**–**	**40,945**
Other investments	**–**	**–**	**132**	**2,307**	**7,129**	**9,568**
Derivative financial assets	**219**	**–**	**3**	**5**	**–**	**227**
Insurance receivables	**4**	**–**	**2,617**	**2**	**–**	**2,623**
Other debtors	**2**	**–**	**952**	**61**	**–**	**1,015**
Cash and cash equivalents	**5,102**	**–**	**87**	**516**	**–**	**5,705**
	37,581	**1,433**	**9,805**	**6,115**	**19,199**	**74,133**
2017						
Available-for-sale securities						
Equity securities	–	–	–	–	14,320	14,320
Other investments	–	–	–	–	6,929	6,929
Financial assets at FVTPL						
Equity securities	–	–	–	2,417	119	2,536
Debt securities	144	–	–	1,036	–	1,180
Other investments	–	–	–	2,428	3	2,431
Financial instruments held for trading						
Equity securities	–	–	–	4	8	12
Debt securities	1,092	–	550	#	–	1,642
Derivative financial assets	235	–	–	4	–	239
Insurance receivables	3	–	2,505	–	28	2,536
Other debtors	–	–	1,433	84	–	1,517
Cash and cash equivalents	4,900	–	166	299	–	5,365
	6,374	–	4,654	6,272	21,407	38,707

(1) * Based on internal ratings grades which are equivalent to grades of external rating agencies (2017: Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC).

(2) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Amounts Arising from ECL

Measurement of ECL - Explanation of Inputs, Assumptions and Estimation Techniques

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models as developed by GEH Group based on historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are based on rating models which use quantitative as well as qualitative input parameters and which are based on internal and external compiled data.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and represents the estimate of the economic loss in the event of the default of the counterparty. Drivers of LGD include the seniority of the claim, the availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant Increase in Credit Risk

To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. GEH Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:
- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on GEH Group's quantitative model, the 12M PD is determined to have more than doubled since origination except where the counterparty remains within the investment grade rating. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

Using its expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Credit Risk Grades

GEH Group assigns each exposure to a credit risk grade reflecting the PD of the counterparty and applying experienced credit judgement. Credit risk grades are established based on qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility.

Definition of Default

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on GEH Group's historical information. For bonds and loans, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

Incorporating of Forward-Looking Information

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, for all portfolios, GEH Group concluded that two scenarios appropriately captured non-linearities. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the base, and the other scenario, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12M or lifetime ECL should be recorded. Following this assessment, GEH Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. GEH Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within GEH Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2018.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance amount for credit losses and reflect measurement basis under FRS 39.

	2018				2017
$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Loans at amortised cost					
At 1 January	–	–	47.3	47.3	6.1
Effect of adopting SFRS(I) 9	0.3	9.2	–	9.5	–
Adjusted balance at 1 January	0.3	9.2	47.3	56.8	6.1
Net remeasurement of loss allowance	0.2	0.3	(33.5)	(33.0)	52.4
New financial assets purchased	0.1	–	–	0.1	–
Financial assets that have been derecognised	(0.2)	(2.9)	–	(3.1)	(11.2)
Foreign exchange and other movements	0.1	(0.1)	(0.1)	(0.1)	–
At 31 December	0.5	6.5	13.7	20.7	47.3
Debt securities at FVOCI (2017: available-for-sale debt securities)					
At 1 January	–	–	64.0	64.0	12.0
Effect of adopting SFRS(I) 9	3.5	3.5	(57.4)	(50.4)	–
Adjusted balance at 1 January	3.5	3.5	6.6	13.6	12.0
Transfer to 12-month ECL	0.2	(0.2)	–	–	–
Net remeasurement of loss allowance	–	–	–	–	58.5
New financial assets purchased	2.0	0.2	–	2.2	–
Financial assets that have been derecognised	(1.1)	(1.7)	(3.9)	(6.7)	(6.5)
Changes in models/risk parameters	0.1	–	–	0.1	–
Foreign exchange and other movements	(0.1)	0.1	0.1	0.1	–
At 31 December	4.6	1.9	2.8	9.3	64.0
Available-for-sale equity securities and collective investment schemes					
At 1 January	–	–	–	–	403.1
Net remeasurement of loss allowance	–	–	–	–	136.0
Financial assets that have been derecognised	–	–	–	–	(125.2)
Foreign exchange and other movements	–	–	–	–	(4.8)
At 31 December	–	–	–	–	409.1
(Decrease)/increase in provision for impairment of financial assets for the year ended	1.1	(4.1)	(37.4)	(40.4)	246.9

The above loss allowance as at 31 December 2018 for debt securities at FVOCI is not recognised in the statement of financial position because the carrying amount of debt securities at FVOCI (2017: available-for-sale) is their fair value.

The carrying amount of outstanding premiums as at 31 December 2018 is $261.5 million (2017: $244.8 million). The ECL relating to outstanding premiums as at 31 December 2018 was $2.7 million (2017: $4.1 million) for GEH Group. The changes in credit loss recognised in the income statement during the year was negative $1.7 million (2017: $0.5 million).

39. Risk Management (continued)

39.4 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 net 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 equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market Risk Sensitivity Analysis

	Impact on profit after tax		Impact on equity	
$ million	**2018**	**2017**	**2018**	**2017**
Change in variables:				
(a) Interest rate				
+100 basis points	**62.4**	256.2	**(383.2)**	(285.8)
–100 basis points	**(160.4)**	(383.3)	**365.9**	242.1
(b) LTRFDR [1]				
+10 basis points	**41.0**	43.9	**41.0**	43.9
–10 basis points	**(43.6)**	(46.7)	**(43.6)**	(46.7)
(c) Foreign currency				
5% increase in market value of foreign currency denominated assets	**22.8**	53.6	**71.2**	131.6
5% decrease in market value of foreign currency denominated assets	**(22.8)**	(53.6)	**(71.2)**	(131.6)
(d) Equity				
20% increase in market indices				
STI	**67.9**	–	**156.0**	150.3
KLCI	**27.5**	–	**49.1**	40.0
20% decrease in market indices				
STI	**(67.9)**	–	**(156.0)**	(150.3)
KLCI	**(27.5)**	–	**(49.1)**	(40.0)
(e) Credit				
Spread +100 basis points	**(164.8)**	(4.3)	**(490.0)**	(476.0)
Spread –100 basis points	**177.5**	4.6	**558.7**	549.5
(f) Alternative investments [2]				
10% increase in market value of all alternative investments	**49.1**	–	**53.5**	31.6
10% decrease in market value of all alternative investments	**(49.1)**	–	**(53.5)**	(31.6)

(1) LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.
(2) 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.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(j) 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.

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 GEH Group;
- 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 control frameworks, 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 GEH Audit Committee.

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 cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privilege access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

40. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2018						
Cash and placements with central banks	–	–	18,748	–	–	18,748
Singapore government treasury bills and securities	1,587	–	–	8,024	–	9,611
Other government treasury bills and securities	2,348	10	374	15,433	–	18,165
Placements with and loans to banks	2,630	–	25,455	10,950	–	39,035
Loans and bills receivable	272	–	254,921	–	–	255,193
Debt and equity securities	6,160	17	92	19,274	–	25,543
Assets pledged	–	–	309	796	–	1,105
Derivative receivables	7,201	–	–	–	–	7,201
Other assets	–	–	3,026	–	177	3,203
Amounts due from associates	–	–	80	–	–	80
Financial assets	20,198	27	303,005	54,477	177	377,884
Non-financial assets						12,792
						390,676
Life insurance fund investment financial assets	23,290	37,794	8,583	5,398	–	75,065
Life insurance fund investment non-financial assets						1,802
Total assets						467,543
Deposits of non-bank customers	–	–	295,412	–	–	295,412
Deposits and balances of banks	–	–	7,576	–	–	7,576
Trading portfolio liabilities	214	–	–	–	–	214
Derivative payables	7,105	–	–	–	–	7,105
Other liabilities [(1)]	–	–	5,174	–	422	5,596
Debt issued	–	1,075	29,197	–	–	30,272
Financial liabilities	7,319	1,075	337,359	–	422	346,175
Non-financial liabilities						3,048
						349,223
Life insurance fund financial liabilities	289	–	6,351	–	65,593	72,233
Life insurance fund non-financial liabilities						2,695
Total liabilities						424,151

(1) 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
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
Loans and bills receivable	–	–	234,141	–	–	234,141
Debt and equity securities	4,757	239	17	19,908	–	24,921
Assets pledged	192	–	526	338	–	1,056
Derivative receivables	6,386	–	–	–	–	6,386
Other assets	–	–	2,957	–	172	3,129
Amounts due from associates	–	–	143	–	–	143
Financial assets	18,057	271	286,746	60,972	172	366,218
Non-financial assets						12,548
						378,766
Life insurance fund investment financial assets	238	7,511	8,487	56,098	–	72,334
Life insurance fund investment non-financial assets						1,593
Total assets						452,693
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 [(1)]	–	–	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						3,180
						339,347
Life insurance fund financial liabilities	366	–	6,016	–	62,230	68,612
Life insurance fund non-financial liabilities						2,941
Total liabilities						410,900

(1) Other liabilities include amounts due to associates.

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	**Mandatorily measured at FVTPL**	**Designated as FVTPL**	**Amortised cost**	**FVOCI**	**Total**
2018					
Cash and placements with central banks	–	–	13,740	–	13,740
Singapore government treasury bills and securities	1,587	–	–	7,386	8,973
Other government treasury bills and securities	1,573	–	374	6,312	8,259
Placements with and loans to banks	2,629	–	20,393	6,042	29,064
Loans and bills receivable	250	–	156,647	–	156,897
Debt and equity securities	3,789	–	92	8,092	11,973
Placements with and advances to subsidiaries	–	–	22,808	–	22,808
Assets pledged	–	–	–	1,007	1,007
Derivative receivables	5,331	–	–	–	5,331
Other assets	–	–	1,617	–	1,617
Amounts due from associates	–	–	#	–	#
Financial assets	15,159	–	215,671	28,839	259,669
Non-financial assets					19,308
Total assets					278,977
Deposits of non-bank customers	–	–	183,600	–	183,600
Deposits and balances of banks	–	–	6,350	–	6,350
Deposits and balances of subsidiaries	–	–	20,938	–	20,938
Trading portfolio liabilities	214	–	–	–	214
Derivative payables	5,252	–	–	–	5,252
Other liabilities [(1)]	–	–	1,772	–	1,772
Debt issued	–	1,075	27,737	–	28,812
Financial liabilities	5,466	1,075	240,397	–	246,938
Non-financial liabilities					743
Total liabilities					247,681

(1) Other liabilities include amounts due to associates.
(2) # represents amounts less than $0.5 million.

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
Loans and bills receivable	–	–	143,516	–	143,516
Debt and equity securities	3,893	–	17	9,663	13,573
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	14,855	–	202,450	33,581	250,886
Non-financial assets					18,970
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

(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 Governance Framework

The Group has an established governance 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 and Advisory – 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 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 BRMC. Group's internal 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 amounts 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 mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all 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 amounts 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 values, which approximate the carrying amounts.

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 values approximate the carrying amounts.

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:

	2018				2017			
$ 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	–	13,705	–	13,705	–	20,204	–	20,204
Debt and equity securities	21,714	3,496	883	26,093	20,795	3,699	738	25,232
Loans and bills receivable	–	–	272	272	–	–	–	–
Derivative receivables	109	7,021	71	7,201	47	6,311	28	6,386
Government treasury bills and securities	23,960	3,470	–	27,430	24,295	3,182	–	27,477
Life insurance fund investment assets	47,551	17,582	1,350	66,483	46,604	16,004	1,239	63,847
Total	93,334	45,274	2,576	141,184	91,741	49,400	2,005	143,146
Non-financial assets measured at fair value								
Life insurance fund investment properties	–	–	1,771	1,771	–	–	1,553	1,553
Total	–	–	1,771	1,771	–	–	1,553	1,553
Financial liabilities measured at fair value								
Derivative payables	94	6,985	26	7,105	70	6,370	14	6,454
Trading portfolio liabilities	214	–	–	214	622	–	–	622
Debt issued	–	1,075	–	1,075	–	944	–	944
Life insurance fund financial liabilities	3	286	–	289	1	365	–	366
Total	311	8,346	26	8,683	693	7,679	14	8,386
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	–	8,792	–	8,792	–	11,681	–	11,681
Debt and equity securities	10,161	1,737	546	12,444	10,789	2,202	565	13,556
Loans and bills receivable	–	–	250	250	–	–	–	–
Derivative receivables	7	5,277	47	5,331	4	5,091	22	5,117
Government treasury bills and securities	14,068	3,113	–	17,181	15,960	2,122	–	18,082
Total	24,236	18,919	843	43,998	26,753	21,096	587	48,436
Financial liabilities measured at fair value								
Derivative payables	23	5,227	2	5,252	4	4,977	8	4,989
Trading portfolio liabilities	214	–	–	214	622	–	–	622
Debt issued	–	1,075	–	1,075	–	944	–	944
Total	237	6,302	2	6,541	626	5,921	8	6,555

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 Inputs for Level 3 Instruments

GROUP $ million	Fair value at 31 December 2018	Classification	Valuation techniques	Unobservable inputs
Financial assets				
Debt securities	71	FVTPL	Discounted cash flows	Credit spreads
Equity securities	812	FVTPL/FVOCI	Net asset value/ Multiples	Value of net asset/ Earnings and multiples
Loans and bills receivable	272	FVTPL	Discounted cash flows	Credit spreads
Derivative receivables	71	FVTPL	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Life insurance fund investment assets	1,350	FVTPL/FVOCI	Net asset value	Value of net asset
Total	**2,576**			
Financial liabilities				
Derivative payables	26	FVTPL	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Total	**26**			

Management considers that any reasonably possible changes to the unobservable inputs will not result in a significant financial impact.

Movements in Level 3 Financial Assets and Liabilities

	2018				
GROUP $ million	Debt and equity securities	Loans and bills receivable	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value					
At 1 January	738	–	28	1,239	2,005
Effect of adopting SFRS(I) 9	–	259	–	–	259
Adjusted balance at 1 January	738	259	28	1,239	2,264
Purchases	156	113	3	281	553
Settlements/disposals	(155)	(118)	(#)	(221)	(494)
Transfers in to Level 3 [(1)]	15	18	–	4	37
Gains/(losses) recognised in					
– profit or loss	42	(1)	41	21	103
– other comprehensive income	87	1	(1)	26	113
At 31 December	883	272	71	1,350	2,576
Unrealised gains/(losses) included in profit or loss for assets held at the end of the period	34	(1)	79	82	194

(1) Relates to transfers from amortised cost to Level 3 due to use of inputs not based on market observable data.
(2) # represents amounts less than $0.5 million.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

GROUP $ million	2017 Debt and equity securities	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value				
At 1 January	239	39	1,172	1,450
Purchases/transfer from associate	540	3	235	778
Settlements/disposals	(30)	(#)	(103)	(133)
Transfers out of Level 3 [1]	(7)	(12)	–	(19)
Gains/(losses) recognised in				
– profit or loss	(34)	(2)	(79)	(115)
– other comprehensive income	30	#	14	44
At 31 December	738	28	1,239	2,005
Unrealised gains/(losses) included in profit or loss for assets held at the end of the period	(27)	36	(9)	#

[1] Relates to transfers from Level 3 to Level 2 due to availability of market observable inputs.
[2] # represents amounts less than $0.5 million.

Gains/(losses) included in profit or loss are presented in the income statement as follows:

GROUP $ million	2018 Net interest income	Trading income	Other income	Total	2017 Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**#**	**82**	**21**	**103**	–	(3)	(112)	(115)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**112**	**82**	**194**	–	36	(36)	#

[1] # represents amounts less than $0.5 million.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

	2018				2017		
BANK $ million	Debt and equity securities	Loans and bills receivable	Derivative receivables	Total	Debt and equity securities	Derivative receivables	Total
Financial assets measured at fair value							
At 1 January	**565**	**–**	**22**	**587**	72	36	108
Effect of adopting SFRS(I) 9	**–**	**231**	**–**	**231**	–	–	–
Adjusted balance at 1 January	**565**	**231**	**22**	**818**	72	36	108
Purchases/transfer from associate	**114**	**113**	**3**	**230**	506	3	509
Settlements/disposals	**(120)**	**(92)**	**–**	**(212)**	(13)	–	(13)
Transfers in to/(out of) Level 3	**–**	**–**	**–**	**–**	1 [(1)]	(12) [(2)]	(11)
Gains/(losses) recognised in							
– profit or loss	**(2)**	**(2)**	**22**	**18**	(6)	(5)	(11)
– other comprehensive income	**(11)**	**#**	**–**	**(11)**	5	–	5
At 31 December	**546**	**250**	**47**	**843**	565	22	587
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**(10)**	**(2)**	**58**	**46**	(7)	31	24

BANK

Gains/(losses) included in profit or loss are presented in the income statement as follows:

$ million	Net interest income	Trading income	Other income	Total	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**#**	**18**	**–**	**18**	(4)	(7)	(11)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**46**	**–**	**46**	32	(8)	24

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

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

	GROUP				BANK			
	2018		2017		2018		2017	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**14**	**14**	35	35	**8**	**8**	31	31
Issues	**11**	**11**	1	1	**11**	**11**	1	1
Settlements/disposals	**(#)**	**(#)**	–	–	**–**	**–**	–	–
Transfers out of Level 3 [1]	**–**	**–**	(25)	(25)	**–**	**–**	(25)	(25)
Losses/(gains) recognised in								
– profit or loss	**2**	**2**	3	3	**(17)**	**(17)**	1	1
– other comprehensive income	**(1)**	**(1)**	#	#	**–**	**–**	–	–
At 31 December	**26**	**26**	14	14	**2**	**2**	8	8
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(38)**	**(38)**	(34)	(34)	**(18)**	**(18)**	(33)	(33)

[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:

	GROUP				BANK			
	2018		2017		2018		2017	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total (losses)/gains included in profit or loss for the year ended	**(2)**	**(2)**	(3)	(3)	**17**	**17**	(1)	(1)
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(38)**	**(38)**	(34)	(34)	**(18)**	**(18)**	(33)	(33)

Movements in Level 3 Non-Financial Assets

	GROUP			
	2018		2017	
$ million	Life insurance fund investment properties	Total	Life insurance fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	**1,553**	**1,553**	1,539	1,539
Purchases/transfers	**180**	**180**	#	#
Sales	**(1)**	**(1)**	(1)	(1)
Gains/(losses) recognised in				
– profit or loss	**40**	**40**	10	10
– other comprehensive income	**(1)**	**(1)**	5	5
At 31 December	**1,771**	**1,771**	1,553	1,553

[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.

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]	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)
2018							
Financial assets							
Derivative receivables	**7,201**	**4,196**	**3,005**	**2,038**	**289**	**–**	**678**
Reverse repurchase agreements	**4,686**[4]	**1,196**	**3,490**	**3,490**	**–**	**–**	**–**
Securities borrowings	**29**[5]	**–**	**29**	**23**	**–**	**–**	**6**
Total	**11,916**	**5,392**	**6,524**	**5,551**	**289**	**–**	**684**
Financial liabilities							
Derivative payables	**7,105**	**3,378**	**3,727**	**2,038**	**1,101**	**–**	**588**
Repurchase agreements	**1,466**[6]	**836**	**630**	**630**	**–**	**–**	**–**
Securities lendings	**323**[7]	**323**	**–**	**–**	**–**	**–**	**–**
Total	**8,894**	**4,537**	**4,357**	**2,668**	**1,101**	**–**	**588**
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

(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)
2018							
Financial assets							
Derivative receivables	**5,331**	**2,879**	**2,452**	**1,754**	**166**	**–**	**532**
Reverse repurchase agreements	**4,660** [4]	**1,176**	**3,484**	**3,484**	**–**	**–**	**–**
Securities borrowings	**13** [5]	**–**	**13**	**13**	**–**	**–**	**–**
Total	**10,004**	**4,055**	**5,949**	**5,251**	**166**	**–**	**532**
Financial liabilities							
Derivative payables	**5,252**	**2,373**	**2,879**	**1,754**	**752**	**–**	**373**
Repurchase agreements	**630** [6]	**–**	**630**	**630**	**–**	**–**	**–**
Total	**5,882**	**2,373**	**3,509**	**2,384**	**752**	**–**	**373**
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

(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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,319,456**	3,935,631	**3,350,701**	3,129,357
Term to maturity of more than one year	**2,357,153**	2,195,691	**1,474,099**	1,369,407
	6,676,609	6,131,322	**4,824,800**	4,498,764
Acceptances and endorsements	**1,095,812**	1,282,660	**466,834**	672,607
Documentary credits and other short term trade-related transactions	**4,192,013**	3,089,865	**3,273,579**	2,111,154
	11,964,434	10,503,847	**8,565,213**	7,282,525

43.1 Analysed by Industry

Agriculture, mining and quarrying	**77,630**	83,448	**99,805**	201,138
Manufacturing	**1,560,800**	1,748,009	**480,407**	762,184
Building and construction	**1,757,310**	1,623,199	**736,127**	754,178
General commerce	**5,387,832**	3,931,533	**4,590,359**	3,126,052
Transport, storage and communication	**576,778**	624,056	**457,566**	481,980
Financial institutions, investment and holding companies	**697,767**	485,481	**611,443**	417,549
Professionals and individuals	**228,573**	302,264	**55,523**	57,708
Others	**1,677,744**	1,705,857	**1,533,983**	1,481,736
	11,964,434	10,503,847	**8,565,213**	7,282,525

43.2 Analysed by Geography

Singapore	**7,085,359**	5,818,712	**7,050,382**	5,941,579
Malaysia	**1,267,939**	1,261,392	**6,126**	10,005
Indonesia	**1,159,064**	1,154,550	**–**	–
Greater China	**1,932,685**	1,842,263	**978,912**	893,818
Other Asia Pacific	**256,498**	300,655	**266,904**	310,848
Rest of the World	**262,889**	126,275	**262,889**	126,275
	11,964,434	10,503,847	**8,565,213**	7,282,525

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
44.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**124,392,476**	111,902,150	**54,734,471**	48,522,969
Term to maturity of more than one year	**18,321,731**	16,946,051	**30,057,578**	30,701,981
	142,714,207	128,848,201	**84,792,049**	79,224,950
44.2 Other Commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**82,059**	80,904	**81,364**	23,813
After 1 year but within 5 years	**126,565**	133,927	**35,113**	30,250
Over 5 years	**8,746**	6,608	**4,499**	4,218
	217,370	221,439	**120,976**	58,281
Capital commitment authorised and contracted	**204,703**	146,938	**125,767**	90,714
Forward deposits and assets purchase	**647,045**	1,166,647	**626,272**	1,127,198
	1,069,118	1,535,024	**873,015**	1,276,193
44.3 Total Commitments	**143,783,325**	130,383,225	**85,665,064**	80,501,143
44.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,370,865**	1,259,038	**661,424**	455,904
Manufacturing	**9,601,792**	8,531,490	**4,412,119**	3,986,760
Building and construction	**16,555,823**	14,893,565	**12,808,761**	11,642,335
General commerce	**21,370,428**	17,370,985	**17,041,989**	13,510,189
Transport, storage and communication	**2,971,927**	3,158,736	**2,465,552**	2,634,424
Financial institutions, investment and holding companies	**37,254,422**	33,843,477	**30,745,810**	30,714,924
Professionals and individuals	**46,872,065**	42,855,168	**12,337,125**	12,493,867
Others	**6,716,885**	6,935,742	**4,319,269**	3,786,547
	142,714,207	128,848,201	**84,792,049**	79,224,950
44.5 Credit Commitments Analysed by Geography				
Singapore	**103,743,918**	97,873,143	**69,127,914**	68,973,504
Malaysia	**7,629,720**	7,175,970	**280,771**	305,559
Indonesia	**4,210,361**	3,891,172	**–**	–
Greater China	**22,754,690**	15,969,853	**10,994,426**	5,987,707
Other Asia Pacific	**2,035,039**	2,105,232	**2,036,581**	2,111,837
Rest of the World	**2,340,479**	1,832,831	**2,352,357**	1,846,343
	142,714,207	128,848,201	**84,792,049**	79,224,950

Credit commitments analysed by geography is based on the country where the transactions are recorded.

44. Commitments (continued)

44.6 Insurance Related Commitments

(a) Contribution to the B40 National Protection Scheme

On 9 November 2018, GEH Group announced that its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad (GELM) will make a contribution of MYR2.0 billion (approximately S$659.6 million) to the B40 National Protection Scheme (the Scheme) as part of its corporate social responsibility efforts and in satisfaction of the local shareholding requirements applicable to insurance companies in Malaysia.

(b) Acquisition of PT QBE General Insurance Indonesia by Great Eastern General Insurance Limited

On 10 December 2018, GEH Group's subsidiary, Great Eastern General Insurance Limited (GEG), entered into a share purchase agreement to acquire shares in PT QBE General Insurance Indonesia (QBE Indonesia) for a consideration of USD28.0 million (approximately S$38.4 million). The completion of the transaction is currently subject to regulatory and other relevant approvals and is expected to be completed in the first half of 2019. On completion of the transaction, PT Suryasono Sentosa (PTSS), a company registered in Indonesia, will simultaneously acquire 5% of the shares in QBE Indonesia to satisfy local shareholding requirements.

(c) Agreement to Transfer ElderShield Policies

On 7 January 2019, the Ministry of Health (MOH) of Singapore issued a press release regarding the agreement with the Eldershield insurers for the Singapore Government to take over administration of the ElderShield scheme in 2021. The Great Eastern Life Assurance Company Limited (GEL), a wholly-owned subsidiary of GEH, has entered into a binding agreement with MOH in respect of the transfer of the ElderShield 300 and/or ElderShield 400 basic policies currently managed by GEL under the existing ElderShield scheme, to MOH (the Transfer).

The above events do not have a material impact on the financial statements of the Group for the financial year ended 31 December 2018 and the Group does not expect them to have a material impact on the financial statements of the Group for the financial year ending 31 December 2019.

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
2018				
FVOCI investments	**58**	**–**	**#**	**58**
FVTPL investments	**–**	**132**	**–**	**132**
Other assets	**–**	**8**	**–**	**8**
Total assets	**58**	**140**	**#**	**198**
Other liabilities	**–**	**1**	**#**	**1**
Total liabilities	**–**	**1**	**#**	**1**
Other commitments				
Loan and capital commitments authorised and contracted [1]	**23**	**–**	**–**	**23**
Income earned from sponsored structured entities [2]	**–**	**53**	**11**	**64**
Assets of structured entities	**448**	**3,851**	**1,329**	**5,628**
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

(1) These were also included in the Group's capital commitments 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 2018 and 2017 were not significant.

46. Financial Assets Transferred

46.1 Assets Pledged

	GROUP		BANK	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**–**	–	**312,750**	543,483
– Others	**27,962**	5,878	**10,504**	5,878
Placements with and loans to banks (Note 25)	**124,661**	195,160	**120,782**	191,991
Loans and bills receivable (Note 26)	**309,155**	526,414	**–**	–
Debt securities (Note 29)	**642,795**	328,087	**563,312**	–
	1,104,573	1,055,539	**1,007,348**	741,352
Repo balances for assets pledged	**721,321**	475,454	**941,472**	687,394

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 $4.03 billion (2017: $3.93 billion), of which $0.31 billion (2017: $0.20 billion) 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 34.5). 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 2018, the carrying amounts of the covered bonds in issue was $3.53 billion (2017: $1.58 billion), while the carrying amounts of assets assigned was $6.00 billion (2017: $4.74 billion). 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Associates (Note 47.1)	**–**	32,843	**–**	–
Investment properties (Note 47.2)	**1,831**	5,716	**–**	1,590
	1,831	38,559	**–**	1,590

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$407.3 million). The completion of the Sale Shares under the Share Sale Agreement was conditional upon regulatory approvals.

In October 2018, the sale was terminated in accordance with the terms of the Share Sale Agreement on the basis that the closing conditions had not been satisfied. In accordance with the terms of the Share Sale Agreement, the deposit (net of advisory fees) of HKD234.3 million (approximately S$40.3 million) had been forfeited in favour of OWHB, and included as other income (Note 7).

The carrying amount of Hong Kong Life was reclassified as associates (Note 33).

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within 1 year	**48,640**	50,365	**17,962**	18,937
After 1 year but within 5 years	**36,556**	43,643	**9,099**	17,128
Over 5 years	**–**	75	**–**	–
	85,196	94,083	**27,061**	36,065

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 insurance fund
(a)	**Loans, placements and other receivables**				
	At 1 January 2018	145	11	21	6
	Net change	(65)	(3)	(4)	135
	At 31 December 2018	**80**	**8**	**17**	**141**
(b)	**Deposits, borrowings and other payables**				
	At 1 January 2018	220	57	50	1,403
	Net change	146	(#)	(11)	(63)
	At 31 December 2018	**366**	**57**	**39**	**1,340**
(c)	**Off-balance sheet credit facilities** [1]				
	At 1 January 2018	–	4	5	1
	Net change	–	1	13	3
	At 31 December 2018	**–**	**5**	**18**	**4**
(d)	**Income statement transactions**				
	Year ended 31 December 2018				
	Interest income	**7**	**#**	**#**	**7**
	Interest expense	**4**	**1**	**#**	**14**
	Rental income	**–**	**–**	**–**	**2**
	Fee and commission and other income	**–**	**#**	**2**	**197**
	Rental and other expenses	**20**	**1**	**#**	**12**
	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

(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 insurance fund
(a) Loans, placements and other receivables					
At 1 January 2018	20,508	2	11	21	6
Net change	2,300	(2)	(3)	(4)	(6)
At 31 December 2018	**22,808**	**#**	**8**	**17**	**–**
(b) Deposits, borrowings and other payables					
At 1 January 2018	17,801	103	41	47	708
Net change	3,137	39	(5)	(12)	(55)
At 31 December 2018	**20,938**	**142**	**36**	**35**	**653**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2018	18,572	–	#	–	1
Net change	(1,640)	–	1	6	3
At 31 December 2018	**16,932**	**–**	**1**	**6**	**4**
(d) Income statement transactions					
Year ended 31 December 2018					
Interest income	**363**	**#**	**#**	**#**	**#**
Interest expense	**416**	**2**	**#**	**#**	**3**
Rental income	**23**	**–**	**–**	**–**	**–**
Fee and commission and other income	**57**	**–**	**#**	**#**	**142**
Rental and other expenses	**312**	**20**	**#**	**–**	**#**
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

(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	
	2018 $ million	2017 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**41**	38
Share-based benefits	**16**	12
	57	50

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2018 included in the above table are subject to the approval of the Remuneration Committee.

50. Capital Management

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 with an optimal mix of capital instruments in order to keep our overall cost of capital low.

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.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2018 based on MAS' fully-phased in Basel III rules for 2018.

$ million	Basel III 2018	Basel III 2017 [1]
Tier 1 Capital		
Ordinary shares	**15,750**	14,136
Disclosed reserves/others	**19,219**	18,130
Regulatory adjustments	**(6,901)**	(5,359)
Common Equity Tier 1 Capital	**28,068**	26,907
Additional Tier 1 capital	**1,572**	2,985
Regulatory adjustments	**–**	(932)
Tier 1 Capital	**29,640**	28,960
Tier 2 capital	**3,347**	4,673
Regulatory adjustments	**(1)**	(408)
Total Eligible Capital	**32,986**	33,225
Credit	**171,487**	163,361
Market	**14,669**	16,130
Operational	**14,092**	13,591
Risk Weighted Assets	**200,248**	193,082
Capital Adequacy Ratios		
Common Equity Tier 1	**14.0%**	13.9%
Tier 1	**14.8%**	14.9%
Total	**16.4%**	17.2%

(1) The capital adequacy ratios as of 31 December 2017 are based MAS' transitional Basel III rules for 2017.

51. New Accounting Standards and Interpretations

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.

SFRS(I)	Title	Effective for financial year beginning on or after
SFRS(I) 3, SFRS(I) 11 (Amendments)	*Previously Held Interest in a Joint Operation*	1 January 2019
SFRS(I) 9 (Amendments)	*Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) 1-12 (Amendments)	*Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	1 January 2019
SFRS(I) 1-19 (Amendments)	*Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-23 (Amendments)	*Borrowing Costs Eligible for Capitalisation*	1 January 2019
SFRS(I) 1-28 (Amendments)	*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) 17	*Insurance Contracts*	1 January 2021
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

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) 17.

(I) SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16, if any, will be recognised as an adjustment to the opening balance of revenue reserves at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that the Group will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identify these contracts as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The initial application of the standard is not expected to have a material impact on the Group's financial statements.

(II) SFRS(I) 17 Insurance Contracts

In May 2017, SFRS(I) 17 was issued, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces SFRS(I) 4.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2021. The Group plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of SFRS(I) 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with the Group's financial statement presentation and disclosures.

Group's Major Properties

As at 31 December 2018

	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	20,012	1,100,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	93,319	377,400
18 Church Street, OCBC Centre South	Office	100	118,909	67,045	170,660
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	273,530	472,000
11 Tampines Central 1	Office	100	115,824	52,922	107,000
31 Tampines Avenue 4	Office	100	97,572	40,218	83,000
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]	30,469	76,100
260 Tanjong Pagar Road	Office	100	44,940	7,707	67,400
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146[2]	1,105	33,530
460 North Bridge Road	Office	100	26,576	2,214	34,000
70 Loyang Drive	Office	100	134,287	119,118	178,000
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	35,317	276,650
2 Mt Elizabeth Link	Residential	100	104,377	19,259	190,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	11,358	57,000
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,276	21,000
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	515,303	954,200
				1,291,172	4,197,940
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	16,970	39,248
Indonesia					
OCBC NISP Tower, Jl. Prof. Dr. Satrio Kav 25, Jakarta	Office	85	362,313	4,743	62,807
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	157,436	211,315
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	200,564	354,664
				358,000	565,979
Other properties in					
Singapore				76,223	496,785
Malaysia				13,369	89,493
Indonesia				52,450	160,964
Greater China				1,180,415	1,738,402
Other Asia Pacific				11,581	83,826
Rest of the World				1,582	16,309
				1,335,620	2,585,779
Total[3]				**3,006,505**	**7,451,753**

(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 insurance fund.

Shareholding Statistics

As at 6 March 2019

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	8,106	8.56	309,124	0.01
100 – 1,000	20,985	22.16	11,801,240	0.28
1,001 – 10,000	50,281	53.10	177,067,683	4.16
10,001 – 1,000,000	15,173	16.02	698,807,752	16.41
1,000,001 and above	149	0.16	3,368,784,408	79.14
Total	**94,694**	**100.00**	**4,256,770,207**	**100.00**

Number of issued shares (including treasury shares): 4,256,770,207
Number of treasury shares held: 8,628,979
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: 0.2%

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	664,033,228	15.63
2. DBS Nominees Pte Ltd	482,704,359	11.36
3. Selat Pte Limited	471,128,485	11.09
4. DBSN Services Pte Ltd	290,833,202	6.85
5. HSBC (Singapore) Nominees Pte Ltd	217,069,805	5.11
6. Lee Foundation	185,271,014	4.36
7. Singapore Investments Pte Ltd	157,007,526	3.70
8. Lee Rubber Company Pte Ltd	132,408,980	3.12
9. Lee Latex Pte Limited	59,940,381	1.41
10. Raffles Nominees (Pte) Limited	59,465,423	1.40
11. BPSS Nominees Singapore (Pte.) Ltd.	52,362,555	1.23
12. United Overseas Bank Nominees Pte Ltd	45,067,976	1.06
13. Kallang Development (Pte) Limited	41,134,898	0.97
14. Lee Pineapple Company Pte Ltd	28,598,662	0.67
15. Kew Estate Limited	26,123,907	0.61
16. DB Nominees (Singapore) Pte Ltd	23,422,554	0.55
17. Tropical Produce Company Pte Ltd	20,441,980	0.48
18. Kota Trading (Singapore) Pte Ltd	20,340,492	0.48
19. Island Investment Company Pte Ltd	18,200,411	0.43
20. Lee Plantations Pte Limited	15,923,990	0.37
Total	**3,011,479,828**	**70.88**

** 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 [(1)]	30,554,123 [(2)]	212,245,020	5.00
Selat (Pte) Limited	462,024,552 [(3)]	19,805,502 [(4)]	481,830,054	11.34

** Percentage is calculated based on the total number of issued shares, excluding treasury shares.*

(1) Does not include shares acquired pursuant to OCBC's Scrip Dividend Scheme in October 2018. As the acquisition did not result in an overall percentage level change in Lee Foundation's total interest in OCBC, no notification of the change was required to be given under the Securities and Futures Act, Chapter 289 (**SFA**).

(2) 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.

(3) Does not include shares acquired pursuant to OCBC's Scrip Dividend Scheme in October 2018. As the acquisition did not result in an overall percentage level change in Selat (Pte) Limited's total interest in OCBC, no notification of the change was required to be given under the SFA.

(4) 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 6 March 2019. 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 total interest in OCBC, no notification of the change was required to be given under the SFA.

Five-Year Ordinary Share Capital History

(OCBC Group – As at 31 December 2018)

		Number of ordinary shares ('000)		
Year	**Particulars**	**Issued**	**Held in Treasury**	**In circulation**
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
2018	Shares issued to non-executive directors	53		
	Shares issued in lieu of dividend	62,933		
	Share buyback		(17,225)	
	Issue of shares pursuant to Share Option Schemes		4,553	
	Issue of shares pursuant to Employee Share Purchase Plan		7,635	
	Issue of shares pursuant to Deferred Share Plan		5,322	
	Shares sold for cash		47	
	Year end balance	4,256,770	(6,739)	4,250,031

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	An Unwavering Focus on Sustainable Value Creation, 30–31
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	30–31, 74, 134–282
102-8	Information on employees and other workers	74
102-9	Supply Chain	78, OCBC engages external service providers in IT, advertising and event management, outsourcing, HR recruitment, legal, real estate/ facilities maintenance and other services
102-10	Significant changes to the organisation and its supply chain	OCBC can confirm that there have been no significant changes to the organisation and its supply chain
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. Please see our approach to responsible financing on page 68 or risk management on page 103
102-12	External initiatives	We have been signatory to the United Nations Global Compact (UNGC) since April 2008 and observe its ten principles in the areas of human rights, labour, the environment and anti-corruption
102-13	Membership of associations	OCBC 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 Bank Association (Perbanas) and China Banking Association (CBA) OCBC became a pioneer member of Global Compact Network Singapore (GCNS) which is a local chapter of the UNGC in 2006 We are one of the founding members of the National Volunteer & Philanthropy Centre (NVPC) Company of Good in 2016 We became signatory to the United for Wildlife Financial Taskforce in 2018
Strategy		
102-14	Statement from senior decision-maker	54
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	www.ocbc.com/group/who-we-are/purpose-values.html
102-17	Mechanisms for advice and concerns about ethics	66
Governance		
102-18	Governance structure	58

GRI Standards Content Index

Disclosure Number	Disclosure Title	Page Reference and Remarks
General Disclosures		
Stakeholder Engagement		
102-40	List of stakeholder groups	60–61
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, Peninsular Malaysia (ABOM) and National Union of Bank Employees, States of Malaya (NUBE) 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	60–61
102-43	Approach to stakeholder engagement	60–61
102-44	Key topics and concerns raised	60–61
Reporting Practice		
102-45	Entities included in the consolidated financial statements	52, 78
102-46	Defining report content and topic Boundaries	52, 59
102-47	List of material topics	55
102-48	Restatements of information	75, 78, 81
102-49	Changes in reporting	52, 55, 59
102-50	Reporting period	52
102-51	Date of most recent report	2017
102-52	Reporting cycle	52
102-53	Contact point for questions regarding the report	53
102-54	Claims of reporting in accordance with GRI standards	52
102-55	GRI Content Index	287
102-56	External assurance	52
Customer Experience		
103-1	Explanation of the material topic and its Boundary	62
103-2	The management approach and its components	62
103-3	Evaluation of the management approach	58

Disclosure Number	Disclosure Title	Page Reference and Remarks
Financial Inclusion		
103-1	Explanation of the material topic and its Boundary	63
103-2	The management approach and its components	63
103-3	Evaluation of the management approach	58
FS14	Initiatives to improve access to financial services for disadvantaged people	63
Former FS16	Initiatives to enhance financial literacy by type of beneficiary	63
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103-1	Explanation of the material topic and its Boundary	64
103-2	The management approach and its components	64–65
103-3	Evaluation of the management approach	58
203-2	Significant indirect economic impacts	64–65
Non-GRI	% of digital customers in Singapore	65
Strong Governance		
103-1	Explanation of the material topic and its Boundary	66
103-2	The management approach and its components	66
103-3	Evaluation of the management approach	58, 66
205-2	Communications and training on anti-corruption policies and procedures	66
205-3	Confirmed incidents of corruption and actions taken	66
Fair Dealing		
103-1	Explanation of the material topic and its Boundary	67
103-2	The management approach and its components	67
103-3	Evaluation of the management approach	58
Former FS15	Policies for the design and sale of financial products and services	67

GRI Standards Content Index

Disclosure Number	Disclosure Title	Page Reference and Remarks
Responsible and Sustainable Financing		
103-1	Explanation of the material topic and its Boundary	68
103-2	The management approach and its components	68–69
103-3	Evaluation of the management approach	58
Former FS1	Policies with specific environmental and social components applied to business lines	68
Former FS2	Procedures for assessing and screening environmental and social risks in business lines	68
Former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	68
Combating Financial Crimes and Cyber Threats		
103-1	Explanation of the material topic and its Boundary	70
103-2	The management approach and its components	70–71
103-3	Evaluation of the management approach	58
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	62
Inclusive Workforce		
103-1	Explanation of the material topic and its Boundary	72
103-2	The management approach and its components	72–75
103-3	Evaluation of the management approach	58
401-1	New employees hires and employee turnover	75
405-1	Diversity of governance bodies and employees	75
Talent Management and Rentention		
103-1	Explanation of the material topic and its Boundary	76
103-2	The management approach and its components	76–77
103-3	Evaluation of the management approach	58
404-1	Average hours of training per year per employee	77

Disclosure Number	Disclosure Title	Page Reference and Remarks
Talent Management and Rentention		
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Economic Contributions		
103-1	Explanation of the material topic and its Boundary	78
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103-3	Evaluation of the management approach	58
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Non-GRI	Number of volunteering hours	79
Environmental Footprint		
103-1	Explanation of the material topic and its Boundary	80
103-2	The management approach and its components	80–81
103-3	Evaluation of the management approach	58
302-1	Energy consumption within the organisation	81
302-3	Energy intensity	81
303-5	Water consumption	81
305-2	Energy indirect (Scope 2) GHG emissions	81
305-4	GHG emissions intensity	81

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 41 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. He will be seeking re-election at the Bank's 2019 Annual General Meeting. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles. Age 64.

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, OCBC Securities and Network for Electronic Transfers (Singapore) 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 35 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 59.

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 and advisory, treasury financial control and advisory, 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 (ISCA) 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 48.

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 31 years of banking and investment management experience covering global fund management, global markets sales and 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 56.

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 56.

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 Seeds Capital Private Limited under Enterprise 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 and Cost Competitiveness. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore and is an IBF Distinguished Fellow. Age 56.

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 47.

Mr Jason Ho
Group Human Resources

Mr Jason Ho joined OCBC Bank in January 2013 as 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 Institute of Banking & Finance Future-Enabled Skills Workgroup. Age 56.

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 28 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 58.

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 in the United States of America. Age 50.

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 53.

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.

Further Information on Management Committee

He is a council member of the Singapore-Shandong Business Council and Singapore-Tianjin Economic and Trade Council under Enterprise 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 55.

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 a Deputy President Director from 1997. She was appointed President Director and CEO of the bank at end-2008 and was re-elected in 2011, 2014 and 2017 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 54.

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 55.

Mr Bahren Shaari

CEO, Bank of Singapore

Mr Bahren Shaari was appointed Chief Executive Officer of Bank of Singapore in February 2015. Mr Bahren 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. He was Global Head of Southeast Asia for five years before taking over as CEO. Prior to that, he was a Managing Director at UBS Wealth Management. Mr Bahren is an executive committee member of Singapore's Private Banking Industry Group which shapes the private banking competency standards. He has been a non-executive and independent director of Singapore Press Holdings since April 2012. Mr Bahren is an alternate member of the Council of Presidential Advisers. He is an IBF Distinguished Fellow and holds a Bachelor of Accountancy degree from the National University of Singapore. Age 56.

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. There, he 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 63.

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, 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 completed her Advanced Management Program with Harvard Business School. Age 53.

Mr Tan Wing Ming

Regional General Manager for North East Asia

Mr Tan Wing Ming was appointed Regional General Manager of 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 59.

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 has worked in diverse functions in OCBC Group, covering 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 54.

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 18 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 44.

Mr Melvyn Low

Global Transaction Banking

Mr Melvyn Low is an industry veteran with more than 25 years of experience and has held senior positions in sales and product management, transaction services, cash management, trade, and securities and fund services, including spending 18 years with Citibank N.A., where he was the ASEAN Head of Treasury and Trade Solutions. Mr Low also served as Director of the Singapore Clearing House Association from 2010 to 2013, where he was a key contributor to the G3 (Fast and Secure Transfers or FAST) platform. In conjunction with the National University of Singapore (NUS) Business School, he developed the world's first full-credit course on transaction banking for undergraduates in 2012. Mr Low is an IBF Distinguished Fellow and holds a Master of Business Administration from the University of British Columbia, Canada. Age 52.

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 62.

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 including 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 64.

Ms Koh Ching Ching

Group Brand and Communications

As the Head of Group Brand and Communications, Ms Koh Ching Ching oversees OCBC Bank's branding and communications initiatives with the media, employees, customers, shareholders and the general public across its core markets. She has been heading the division since November 2004 and was appointed Executive Vice President in March 2012. Prior to her current role, she led OCBC Bank's franchise expansion efforts in trade finance in Malaysia. 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 50.

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 50 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
www.ocbcproperty.com.sg

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

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 308 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:
Tel: (603) 8317 5000
(Personal)
Tel: (603) 8317 5200
(Corporate)

OCBC Bank (Malaysia) Berhad has 33 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 11 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 five 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 two 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) 7712 3000
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: (951) 860 3384
Fax: (951) 860 3384

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) 8479 8988
Fax: (632) 8848 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 25 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
Room 901
China Garments Mansion
No. 99 Jianguo Rd
Beijing 100020
People's Republic of China
Tel: (86) 10 6581 5501
Fax: (86) 10 6583 8727

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 2018, it had 336 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
34/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 39 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.

Macau SAR

OCBC Wing Hang Bank Limited
Head Office
241 Avenida de Almeida
Ribeiro
Macau
Tel: (853) 2833 5678
Fax: (853) 2857 6527
www.ocbcwhmac.com

OCBC Wing Hang Bank Limited has a total of 12 branches in Macau.

Taiwan

OCBC Bank Limited
Taipei Branch
41 Floor, No. 68, Sec.5,
Zhongxiao East Road,
Xinyi District,
Taipei City 11065
Taiwan (R.O.C.)
Tel: (886) 2 8726 8100
Fax: (886) 2 2722 8908

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

BOS Wealth Management Europe S.A. (UK Branch)
The Rex Building 3rd Floor
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) 20 7332 8560

Luxembourg

BOS Wealth Management Europe S.A.
33, rue Ste Zithe
L-2763 Luxembourg
Tel: (352) 28 57 32 2000

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

22 February 2019	Announcement of full year results for 2018

April

29 April 2019	Annual General Meeting

May

May 2019	Announcement of first quarter results for 2019

June

On or about 24 June 2019*	Payment of 2018 final dividend on ordinary shares (subject to shareholders' approval at Annual General Meeting)

August

August 2019	Announcement of second quarter results for 2019
August 2019*	Payment of 2019 interim dividend on ordinary shares (subject to approval by the Board)

November

November 2019	Announcement of third quarter results for 2019

* The dividend payment dates are indicative and subject to change. Please refer to OCBC website, www.ocbc.com for latest updates.

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
(Company Reg. No: 193200032W)

NOTICE IS HEREBY GIVEN that the Eighty-Second 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, 29 April 2019 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 2018 and the report of the Auditors thereon.

2 To re-elect the following Directors retiring by rotation:

(a) Ms Christina Hon Kwee Fong (Christina Ong)

(b) Mr Quah Wee Ghee

(c) Mr Samuel N. Tsien

(d) Mr Tan Ngiap Joo

3 To approve a final one-tier tax exempt dividend of 23 cents per ordinary share, in respect of the financial year ended 31 December 2018.

4 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2018 comprising the following:

(a) Directors' fees of S$3,070,000 (2017: S$2,979,000).

(b) 6,000 ordinary shares of the Bank for each non-executive Director of the Bank for the financial year ended 31 December 2018 (2017: 6,000 ordinary shares), 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 54,000 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) 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;

(3) Mr Chua Kim Chiu (or for the account of such depository agent as he 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 Pramukti Surjaudaja (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(7) Mr Quah Wee Ghee (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; and

(9) 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 2018, the Remuneration Shares to rank in all respects *pari passu* with the existing ordinary shares; and

(ii) any Director of the Bank or the Secretary be authorised to do all things necessary or desirable to give effect to the above.

5 To 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:

6 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.

7 That authority be and is hereby given to the Directors of the Bank to:

(I) 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 OCBC Share Option Scheme 2001 (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.

8 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.

9 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, whether pursuant to a market purchase or an off-market purchase, 105% 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
5 April 2019

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), (c) and (d)

Resolutions 2(a), (b), (c) and (d) are to re-elect Directors who are retiring by rotation.

Please refer to the "Board of Directors" section on pages 25, 26 and 27 and the "Board Composition and Guidance" section in the Corporate Governance Report on page 86 of the Annual Report 2018 for information on these Directors (including information as set out in Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST)).

Ordinary Resolution 4(a)

Resolution 4(a) is to authorise the payment of S$3,070,000 as Directors' fees to the non-executive Directors of the Bank for the financial year ended 31 December 2018 (FY 2018). This is higher than the amount of S$2,979,000 paid for the financial year ended 31 December 2017 (FY 2017). In FY 2018, relatively more meetings were held compared to FY 2017 and full year fees will be paid to Directors who joined the Board or Board Committees for only part of FY 2017 and were paid pro-rated fees. Details of the Directors' fee structure can be found on page 88 of the Annual Report 2018.

Ordinary Resolution 4(b)

Resolution 4(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 2018.

The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2018 are Mr Ooi Sang Kuang, Ms Christina Hon Kwee Fong (Christina Ong), Mr Chua Kim Chiu, Mr Lai Teck Poh, Dr Lee Tih Shih, Mr Pramukti Surjaudaja, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow.

It is proposed that, for FY 2018, 6,000 ordinary shares be issued to each non-executive Director named above (2017: 6,000 ordinary shares). The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under Resolution 4(a).

The issue of ordinary shares under Resolution 4(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 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 4(b).

The non-executive Directors who will each, subject to shareholders' approval, be awarded ordinary shares as part of their remuneration for FY 2018, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, Resolution 4(b). The Bank will disregard any votes cast by such persons in respect of their shareholdings on Resolution 4(b).

Ordinary Resolution 5

Resolution 5 is to re-appoint KPMG LLP as Auditors of the Bank for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration.

KPMG LLP have served as the Bank's external auditors since the financial year ended 31 December 2006. In line with good corporate governance practice, the Audit Committee has nominated PricewaterhouseCoopers LLP for appointment as the Bank's external auditors in place of KPMG LLP for the financial year ending 31 December 2020. The nomination was made following a tender process based on an established framework for the selection of external auditors. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 Annual General Meeting. Please refer to the External Audit section in the Corporate Governance Report on pages 93 and 94 of the Annual Report 2018 for more details.

Ordinary Resolution 6

Resolution 6 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 6 March 2019 (the Latest Practicable Date), the Bank had 8,628,979 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 7

Resolution 7 is to authorise the Directors to (i) 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 7 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 8

Resolution 8 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 9

Resolution 9 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 212,407,061 ordinary shares.

In the case of both market purchases and off-market purchases by the Bank and assuming that the Bank purchases or acquires the 212,407,061 ordinary shares at the Maximum Price of S$11.71 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), the maximum amount of funds required for the purchase or acquisition of 212,407,061 ordinary shares is approximately S$2,487.29 million.

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 2018 based on these assumptions are set out in paragraph 2.7 of the Bank's Letter to Shareholders dated 5 April 2019 (the Letter).

Please refer to the Letter for more details.

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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 5 April 2019.

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, 29 April 2019 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 2018 and Auditors' report		
2(a)	Re-election of Ms Christina Hon Kwee Fong (Christina Ong)		
2(b)	Re-election of Mr Quah Wee Ghee		
2(c)	Re-election of Mr Samuel N. Tsien		
2(d)	Re-election of Mr Tan Ngiap Joo		
3	Approval of final one-tier tax exempt dividend		
4(a)	Approval of amount proposed as Directors' fees in cash		
4(b)	Approval of allotment and issue of ordinary shares to the non-executive Directors		
5	Re-appointment of Auditors and fixing their remuneration		
	Special Business		
6	Authority to issue ordinary shares, and make or grant instruments convertible into ordinary shares		
7	Authority to (I) allot and issue ordinary shares under the OCBC Share Option Scheme 2001; and/or (II) grant rights to acquire and/or allot and issue ordinary shares under the OCBC Employee Share Purchase Plan		
8	Authority to allot and issue ordinary shares pursuant to the OCBC Scrip Dividend Scheme		
9	Approval of renewal of the Share Purchase Mandate		

Note: Voting will be conducted by poll.

Dated this ____________ day of ____________ 2019

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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BUSINESS REPLY SERVICE
PERMIT NO. 07548

Oversea-Chinese Banking Corporation Limited
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

3rd fold along this line and glue overleaf. Do not staple. Glue all sides firmly.

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 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 570 branches and representative offices in 19 countries and regions. These include over 300 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macau 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

Ethics and Conduct Committee
Mr Ooi Sang Kuang
Chairman

Dr Lee Tih Shih
Ms Christina Ong

Secretaries
Mr Peter Yeoh
Ms Sherri Liew

Registered Office
63 Chulia Street
#10-00 OCBC Centre East
Singapore 049514
Tel: (65) 6318 7222 Main Line
Fax: (65) 6534 3986
Email: ContactUs@ocbc.com
Website: www.ocbc.com

Share Registration Office
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6228 0505

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

Partner in charge of the Audit
Mr Leong Kok Keong
(Year of Appointment: 2016)

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OCBC Bank

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W