Management Discussion and Analysis

OVERVIEW

	2008	2007	+/(-) %
Selected Income Statement Items (S$m)			
Net interest income	**2,783**	2,244	24
Non-interest income	**1,458**	1,944	(25)
Total core income	**4,241**	4,188	1
Operating expenses	**(1,854)**	(1,680)	10
Operating profit before allowances and amortisation	**2,387**	2,508	(5)
Amortisation of intangible assets	**(47)**	(47)	–
Allowances for loans and impairment of other assets	**(447)**	(36)	NM
Operating profit after allowances and amortisation	**1,893**	2,425	(22)
Share of results of associates and joint ventures	**6**	21	(74)
Profit before income tax	**1,899**	2,446	(22)
Core net profit attributable to shareholders	**1,486**	1,878	(21)
Divestment gains (net of tax)	**174**	90	94
Tax refunds/write-backs	**89**	103	(14)
Reported net profit attributable to shareholders	**1,749**	2,071	(16)
Cash basis net profit attributable to shareholders [(1)]	**1,796**	2,117	(15)
Selected Balance Sheet Items (S$m)			
Ordinary equity	**13,978**	14,782	(5)
Total equity (excluding minority interests)	**15,874**	15,678	1
Total assets	**181,385**	174,607	4
Assets excluding life assurance fund investment assets	**142,508**	133,471	7
Loans and bills receivable (net of allowances)	**79,808**	71,316	12
Deposits of non-bank customers	**94,078**	88,788	6
Per Ordinary Share – Based on Core Earnings			
Basic earnings (cents) [(2)]	**46.1**	59.7	(23)
Basic earnings – Cash basis (cents) [(2)]	**47.6**	61.2	(22)
Diluted earnings (cents) [(2)]	**45.9**	59.3	(23)
Net asset value (S$)			
– Before valuation surplus	**4.51**	4.79	(6)
– After valuation surplus	**5.18**	6.46	(20)
Key Financial Ratios – Based on Core Earnings (%)			
Return on equity [(2)(3)]	**9.9**	13.4	
Return on equity – Cash basis [(2)(3)]	**10.3**	13.7	
Return on assets [(4)]	**1.05**	1.51	
Return on assets – Cash basis [(4)]	**1.08**	1.55	
Net interest margin	**2.27**	2.10	
Non-interest income to total income	**34.4**	46.4	
Cost to income	**43.7**	40.1	
Loans to deposits	**84.8**	80.3	
NPL ratio	**1.5**	1.7	
Total capital adequacy ratio [(5)]	**15.1**	12.4	
Tier 1 ratio [(5)]	**14.9**	11.5	

(1) Excludes amortisation of intangible assets.

(2) In computing earnings per share and return on equity, preference dividends paid and estimated to be due as at the end of the financial year are deducted from core earnings.

(3) Preference equity and minority interests are not included in the computation for return on equity.

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

(5) The capital adequacy ratios for 2008 are computed in accordance with Basel II rules while the ratios for 2007 are computed based on Basel I rules.

"NM" denotes not meaningful.

Management Discussion and Analysis

Group net profit attributable to shareholders ("net profit") for the financial year ended 31 December 2008 declined 16% to S$1,749 million, from S$2,071 million in 2007. Core net profit, which excludes divestment gains and tax refunds from both periods, fell by 21% to S$1,486 million.

The severe market conditions and depressed economic environment during the year, especially in the second half, resulted in declines in the Group's insurance, investment and trading income and a significant increase in allowances for loans and other assets, which offset the robust growth in net interest income. Non-interest income (excluding divestment gains) declined by 25% to S$1,458 million, while net allowances increased from S$36 million to S$447 million. Net interest income grew 24% to S$2,783 million, led by loan growth and improved interest margins. Operating expenses increased by 10% to S$1,854 million.

Return on equity, based on core earnings, was 9.9% in 2008, down from 13.4% in 2007. Core earnings per share fell 23% to 46.1 cents. Core earnings in 2008 excluded S$174 million gains from the sale of the Group's remaining stakes in The Straits Trading Company and Robinson & Company Limited, as well as tax refunds and tax write-backs amounting to S$89 million. In 2007, divestment gains amounted to S$90 million and tax refunds were S$103 million.

The Group continues to maintain a strong capital position. The Group's Tier 1 capital was S$14.3 billion as at 31 December 2008. Its Tier 1 ratio of 14.9% was well above the regulatory minimum of 6%, while the total capital adequacy ratio was 15.1% as compared to the regulatory requirement of 10%.

The performance of key subsidiaries of the Group was mixed. Great Eastern Holdings ("GEH") reported a 50% decline in net profit for the year to S$272 million, as its life assurance profits and shareholders' fund investments were affected by mark-to-market losses, weak investment profits, and higher impairment provisions. GEH's contribution to the Group's core earnings, after deducting amortisation of intangible assets, non-core gains, tax write-backs and minority interests, was S$160 million, down sharply from S$449 million in 2007. Excluding GEH, the Group's core net profit showed a decline of 7% to S$1,326 million.

The Group's Malaysia and Indonesia banking subsidiaries performed well. OCBC Bank (Malaysia) Berhad grew its net profit by 20% to RM617 million (S$256 million), underpinned by higher net interest income, Islamic Banking income and non-interest income. Bank OCBC NISP achieved a 27% increase in net profit to IDR 317 billion (S$40 million), driven by growth in net interest and non-interest income and a moderation in expense growth.

A final one-tier tax exempt dividend of 14 cents per share has been proposed, bringing the full year dividend to 28 cents per share, unchanged from 2007 and representing a payout of 58% of core earnings. The Bank proposes to reactivate its Scrip Dividend Scheme, subject to alterations being made to the scheme to conform to the current SGX scrip dividend rules, to allow shareholders the option of receiving the final dividend in the form of shares instead of cash.

NET INTEREST INCOME

Average Balance Sheet

		2008			2007	
	Average Balance S$m	Interest S$m	Average Rate %	Average Balance S$m	Interest S$m	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**76,610**	**3,651**	**4.77**	63,811	3,535	5.54
Placements with and loans to banks	**23,762**	**780**	**3.28**	22,441	863	3.84
Other interest earning assets [(1)]	**22,422**	**836**	**3.73**	20,643	867	4.20
Total	**122,794**	**5,267**	**4.29**	106,895	5,265	4.93
Interest bearing liabilities						
Deposits of non-bank customers	**93,554**	**1,815**	**1.94**	82,080	2,175	2.65
Deposits and balances of banks	**13,951**	**430**	**3.08**	12,831	569	4.44
Other borrowings [(2)]	**6,420**	**239**	**3.72**	5,543	277	5.00
Total	**113,925**	**2,484**	**2.18**	100,454	3,021	3.01
Net interest income/margin [(3)]		**2,783**	**2.27**		2,244	2.10

(1) Comprise corporate debts and government securities.
(2) Comprise mainly debts issued, including Tier 2 subordinated debt.
(3) Net interest margin is net interest income as a percentage of interest earning assets.

Management Discussion and Analysis

NET INTEREST INCOME (continued)

Net interest income grew 24% year-on-year to S$2,783 million in 2008, underpinned by growth in interest earning assets and improved margins. Average balances of non-bank customer loans grew by 20%, contributed mainly by growth in business loans in Singapore as well as overseas markets.

Net interest margin improved by 17 basis points from 2.10% to 2.27%, an eight-year high, as a result of higher loan spreads and lower funding costs, partially driven by strong growth in low cost deposits.

Volume and Rate Analysis

Increase/(decrease) for 2008 over 2007	Volume S$m	Rate S$m	Net change S$m
Interest income			
Loans and advances to non-bank customers	711	(605)	106
Placements with and loans to banks	51	(137)	(86)
Other interest earning assets	75	(108)	(33)
Total	837	(850)	(13)
Interest expense			
Deposits of non-bank customers	305	(671)	(366)
Deposits and balances of banks	50	(191)	(141)
Other borrowings	43	(82)	(39)
Total	398	(944)	(546)
Impact on net interest income	439	94	533
Due to change in number of days			6
Net interest income			539

NON-INTEREST INCOME

	2008 S$m	2007 S$m	+/(-) %
Fees and commissions			
Brokerage	**74**	136	(46)
Wealth management	**132**	163	(19)
Fund management	**79**	86	(9)
Credit card	**55**	56	(3)
Loan-related	**153**	124	23
Trade-related and remittances	**129**	115	12
Guarantees	**27**	23	19
Investment banking	**51**	41	23
Service charges	**50**	44	15
Others	**24**	20	30
Sub-total	**774**	808	(4)
Dividends	**72**	56	29
Rental income	**68**	62	10
Profit from life assurance	**300**	509	(41)
Premium income from general insurance	**109**	65	67
Other income			
Net dealing income:			
Foreign exchange	**151**	186	(19)
Derivatives and securities	**(108)**	(12)	(777)
Net gain/(loss) from investment securities	**18**	202	(91)
Net gain/(loss) from disposal of properties	**8**	5	61
Others	**66**	63	6
Sub-total	**135**	444	(70)
Total core non-interest income	**1,458**	1,944	(25)
Divestment gains	**186**	93	101
Total non-interest income	**1,644**	2,037	(19)
Fees and commissions/Total income [(1)]	**18.2%**	19.3%	
Non-interest income/Total income [(1)]	**34.4%**	46.4%	

(1) Excludes divestment gains.

Management Discussion and Analysis

NON-INTEREST INCOME (continued)

Non-interest income (excluding divestment gains) declined 25% to S$1,458 million in 2008. Challenging market conditions throughout the year resulted in lower life assurance profits and reduced gains from the sale of investment securities, as well as trading losses in securities and derivatives. Profit from life assurance fell 41% to S$300 million, as the weak and volatile equity and bond markets impacted subsidiary GEH's insurance profits, in particular for its non-participating fund. Gains from the sale of investment securities dropped to S$18 million, from S$202 million in the previous year. Losses from derivatives and securities dealing widened to S$108 million from S$12 million previously.

Fee and commission income, which accounts for about half of total non-interest income, held up reasonably well, decreasing by a modest 4% to S$774 million. Declines in stockbroking, wealth management and fund management income were mitigated by growth in other fee-based activities.

OPERATING EXPENSES

	2008 S$m	2007 S$m	+/(-) %
Staff costs	**1,045**	946	11
Property and equipment			
Depreciation	**116**	104	11
Maintenance and hire	**68**	66	4
Rental expenses	**43**	30	40
Others	**113**	101	12
	340	301	13
Other operating expenses	**469**	433	8
Total operating expenses	**1,854**	1,680	10
Group staff strength			
Period end	**19,876**	18,676	6
Average	**19,541**	17,431	12
Cost to income ratio [1]	**43.7%**	40.1%	

[1] Excludes divestment gains.

Operating expenses increased by 10% to S$1,854 million in 2008. Approximately 42% of the increase was due to the Group's overseas expansion, particularly in China, and the first-time consolidation of expenses from PacificMas Berhad which became a subsidiary in April 2008. Excluding these factors, the Group's business-as-usual expenses rose by 7%.

Staff costs rose by 11% to S$1,045 million in 2008, mainly due to higher base salaries and an increase of 12% in average headcount. Property and equipment expenses increased 13% to S$340 million, with increases mainly in rental expenses, property tax, as well as higher depreciation and maintenance costs for computer software and equipment which were partly driven by infrastructural investments made in tandem with the Group's regional expansion. Other operating expenses increased by 8% to S$469 million due to higher business promotion and other miscellaneous expenses.

As Group core revenue grew 1% while expenses rose 10% for the year, the cost to income ratio increased to 43.7% in 2008, compared with 40.1% for 2007.

Management Discussion and Analysis

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2008 S$m	2007 S$m	+/(-) %
Specific allowances/(write-back) for loans			
Singapore	**2**	(58)	(103)
Malaysia	**40**	(12)	(431)
Others	**123**	(38)	(423)
	165	(108)	(253)
Portfolio allowances for loans	**20**	–	–
Allowances for CDOs	**87**	231	(63)
Allowances and impairment charges/(write-back) for other assets	**175**	(87)	(302)
Net allowances and impairment	**447**	36	NM

The Group provided S$447 million in net allowances for loans and other assets in 2008, compared with S$36 million in 2007.

The allowances in 2008 included S$165 million in specific allowances for loans, S$87 million for the CDO portfolio, and S$175 million for other assets, mainly debt securities. Portfolio allowances of S$20 million were also set aside for the loan portfolio. In comparison, in 2007 the CDO-related allowances of S$231 million were largely offset by net write-back in specific allowances for loans of S$108 million due to loan recoveries, repayments and upgrades, and net write-back in allowances for other assets of S$87 million, mainly properties.

Specific Allowances for Loans by Industry [1]

	2008 S$m
Agriculture, mining and quarrying	(3)
Manufacturing	103
Building and construction	(41)
Housing	7
General commerce	17
Transport, storage and communication	6
Financial institutions, investment and holding companies	(8)
Professionals and individuals	25
Others	59
Total specific allowances for loans	**165**

[1] First-time disclosure in accordance with Basel II Pillar 3 requirements under MAS Notice 637.

Management Discussion and Analysis

LOANS AND ADVANCES

	2008 S$m	2007 S$m	+/(-) %
By Industry			
Agriculture, mining and quarrying	**1,315**	1,116	18
Manufacturing	**6,612**	6,278	5
Building and construction	**17,176**	13,653	26
Housing loans	**19,785**	19,247	3
General commerce	**7,072**	6,943	2
Transport, storage and communication	**5,471**	3,922	39
Financial institutions, investment and holding companies	**11,201**	10,610	6
Professionals and individuals	**7,358**	7,385	–
Others	**5,346**	3,621	48
	81,336	72,775	12
By Currency			
Singapore Dollar	**47,174**	42,617	11
United States Dollar	**10,671**	9,417	13
Malaysian Ringgit	**12,220**	10,869	12
Indonesian Rupiah	**2,269**	2,402	(6)
Others	**9,002**	7,470	20
	81,336	72,775	12
By Geography (1)			
Singapore	**49,285**	45,311	9
Malaysia	**14,335**	12,102	18
Other ASEAN	**4,602**	4,446	4
Greater China	**6,874**	5,133	34
Other Asia Pacific	**3,242**	3,073	6
Rest of the World	**2,998**	2,710	11
	81,336	72,775	12

(1) Loans by geography are based on where the credit risks reside, regardless of where the transactions are booked.

The Group's loan book increased 12% year-on-year, to S$81.3 billion as at 31 December 2008. This was mainly from growth in business loans in Singapore as well as overseas markets. By industry, the growth was broad-based, with the largest increase in loans to the building and construction sector, transport and communications sector, as well as to financial institutions, investment and holding companies and the housing sector.

Management Discussion and Analysis

NON-PERFORMING LOANS

NPLs by Grading and Geography

	Total NPLs [1] S$m	Substandard S$m	Doubtful S$m	Loss S$m	Secured NPLs/ Total NPLs %	Non-bank NPLs/ Non-bank loans [2] %
Singapore						
2008	**395**	**107**	**184**	**104**	**58.1**	**0.8**
2007	512	185	185	142	66.6	1.1
Malaysia						
2008	**496**	**290**	**121**	**85**	**59.2**	**3.3**
2007	548	336	114	98	63.0	4.3
Others						
2008	**457**	**74**	**310**	**73**	**26.6**	**1.8**
2007	294	71	151	72	47.4	1.3
Group						
2008	**1,348**	**471**	**615**	**262**	**47.8**	**1.5**
2007	1,354	592	450	312	60.9	1.7

(1) Comprise non-bank loans, debt securities and contingent facilities; include CDOs of S$109 million and S$86 million for 2008 and 2007 respectively.
(2) Exclude debt securities.

As at 31 December 2008, total NPLs were S$1,348 million, marginally below the S$1,354 million in December 2007. Singapore NPLs amounted to S$395 million, while Malaysia NPLs were S$496 million. These accounted for 29% and 37% of total NPLs respectively. Of the total NPLs, 35% were in the substandard category while 48% were secured by collateral.

The Group's NPL ratio was 1.5% as at 31 December 2008, lower than the 1.7% in December 2007.

	2008 S$m	2008 % of gross loans	2007 S$m	2007 % of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**6**	**0.5**	12	1.0
Manufacturing	**339**	**5.1**	271	4.3
Building and construction	**113**	**0.7**	187	1.4
Housing loans	**243**	**1.2**	301	1.6
General commerce	**147**	**2.1**	146	2.1
Transport, storage and communication	**24**	**0.4**	22	0.6
Financial institutions, investment and holding companies	**125**	**1.1**	68	0.6
Professionals and individuals	**126**	**1.7**	170	2.3
Others	**59**	**1.1**	61	1.7
Sub-total	**1,182**	**1.5**	1,238	1.7
Debt securities	**166**		116	
	1,348		1,354	

Management Discussion and Analysis

CUMULATIVE ALLOWANCES FOR LOANS

	Total cumulative allowances S$m	Specific allowances [1] S$m	Portfolio allowances S$m	Specific allowances as % of total NPLs %	Cumulative allowances as % of total NPLs %
Singapore					
2008	**655**	**151**	**504**	**38.1**	**165.8**
2007	739	202	537	39.5	144.4
Malaysia					
2008	**462**	**242**	**220**	**48.7**	**93.0**
2007	422	232	190	42.3	77.1
Others					
2008	**568**	**313**	**255**	**68.6**	**124.5**
2007	410	177	233	60.4	139.5
Group					
2008	**1,685**	**706**	**979**	**52.3**	**125.0**
2007	1,571	611	960	45.2	116.1

[1] Include allowances of S$108 million and S$82 million for classified CDOs as at 31 December 2008 and 31 December 2007 respectively.

As at 31 December 2008, the Group's total cumulative allowances for loans were S$1,685 million, comprising S$706 million in specific allowances and S$979 million in portfolio allowances. The cumulative specific allowances included S$108 million in allowances for classified CDOs. Total cumulative allowances were 125.0% of total NPLs at 31 December 2008, compared with the coverage of 116.1% at 31 December 2007.

Cumulative Specific Allowances by Industry [1]

	2008 S$m
Agriculture, mining and quarrying	4
Manufacturing	186
Building and construction	32
Housing	34
General commerce	72
Transport, storage and communication	18
Financial institutions, investment and holding companies	234
Professionals and individuals	73
Others	53
Total	**706**

[1] First-time disclosure in accordance with Basel II Pillar 3 requirements under MAS Notice 637.

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COLLATERALISED DEBT OBLIGATIONS (CDOs)

As at 31 December 2008, the Bank has investments of S$453 million in CDOs, including S$252 million in asset-backed securities CDOs ("ABS CDOs"). The exposure to US sub-prime mortgages amounted to approximately 18% of the ABS CDOs. The ABS CDO exposure of S$252 million were 100% covered by cumulative allowances as at the end of 2008.

The corporate CDO investment portfolio was S$201 million at 31 December 2008, lower than the S$360 million exposure as at 31 December 2007 due to the maturity and sale of some corporate CDOs in the fourth quarter of 2008. Of the S$201 million exposure, S$6 million are invested in an equity tranche. As at 31 December 2008, cumulative write-downs of S$113 million (56%) for the corporate CDOs have been taken to the income statement, comprising cumulative allowances of S$47 million and cumulative mark-to-market losses of S$66 million for the related credit default swaps. In addition, negative fair value adjustments of S$70 million (35%) have been taken to the equity reserves.

As at 31 December 2008, the credit rating profile of the total CDO portfolio of S$453 million was as follows: 14% – A, 19% – BBB, 6% – BB, 39% – CCC, 19% – CC and 3% – C.

Type of CDO	2008 Exposure S$m	2008 Allowance S$m	2007 Exposure S$m	2007 Allowance S$m
ABS CDO Investment Portfolio	**252**	**(252)**	260	(219)
Corporate CDO Investment Portfolio	**201**	**(47)** [1]	360	–
Total CDO Portfolio	**453**	**(299)**	620	(219)

[1] In addition to the cumulative allowances of S$47 million, the Bank has also taken cumulative mark-to-market losses of S$66 million to the income statement and negative fair value adjustments of S$70 million to equity reserves for the corporate CDO portfolio as at 31 December 2008.

DEPOSITS

	2008 S$m	2007 S$m	+/(-) %
Deposits of non-bank customers	**94,078**	88,788	6
Deposits and balances of banks	**10,113**	14,726	(31)
Total deposits	**104,191**	103,514	1
Non-Bank Deposits By Product			
Fixed deposits	**57,218**	58,765	(3)
Savings deposits	**16,104**	12,999	24
Current account	**16,090**	12,538	28
Others	**4,666**	4,486	4
	94,078	88,788	6
Non-Bank Deposits By Currency			
Singapore Dollar	**53,745**	52,873	2
United States Dollar	**12,105**	11,473	6
Malaysian Ringgit	**14,672**	13,633	8
Indonesian Rupiah	**3,039**	2,903	5
Others	**10,517**	7,906	33
	94,078	88,788	6
Loans to deposits ratio (net non-bank loans/non-bank deposits)	**84.8%**	80.3%	

As at 31 December 2008, total deposits were S$104.2 billion, marginally above the S$103.5 billion as at 31 December 2007. Non-bank customer deposits grew by 6% to S$94.1 billion, with increases of 24% in savings deposits, and 28% in current account deposits. Deposits and balances of banks declined 31% to S$10.1 billion.

The Group's loans to deposits ratio was 84.8% at 31 December 2008, compared to 80.3% at 31 December 2007.

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PERFORMANCE BY BUSINESS SEGMENT

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

Revenue and Operating Profit by Business Segment

	Total Income			Operating Profit after allowances and amortisation		
	2008 S$m	2007 S$m	+/(-) %	2008 S$m	2007 S$m	+/(-) %
Global Consumer Financial Services	**1,308**	1,160	13	**678**	581	17
Global Corporate Banking	**1,428**	1,194	20	**853**	818	4
Global Treasury	**683**	440	55	**478**	301	59
Insurance [1]	**482**	812	(41)	**229**	636	(64)
Others [2]	**340**	582	(42)	**(345)**	89	(487)
Group	**4,241**	4,188	1	**1,893**	2,425	(22)

[1] Pre-tax divestment gains of S$41 million for 2008 are not included.
[2] Pre-tax divestment gains of S$145 million for 2008 and S$93 million for 2007 are not included.

Global Consumer Financial Services

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

For 2008, operating profit of the consumer segment grew by 17% to S$678 million, as broad-based growth in net interest income more than offset the increase in expenses.

Global Corporate Banking

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

Global Corporate Banking's operating profit increased by 4% to S$853 million in 2008. Growth in net interest income due to strong loans and deposits growth and higher fee income was partly offset by higher expenses.

Global Treasury

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

Global Treasury's operating profit rose 59% to S$478 million in 2008. The strong profit growth was driven by higher net interest income and foreign exchange gains, partly offset by losses from dealing in securities and derivatives, increased allowances and higher expenses.

Insurance

The Group's insurance business, including its fund management activities, is carried out by 87.1%-owned subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

For 2008, operating profit from GEH fell by 64% to S$229 million, due mainly to declines in insurance income and income from investments and securities and derivatives dealing, higher operating expenses and increased allowances. After minority interests and tax, and excluding non-core gains and tax write-backs, GEH's contribution to the Group's core net profit was S$160 million in 2008, compared with S$449 million in 2007.

Others

The "Others" segment comprises Bank OCBC NISP, PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments and items not attributed to business segments. Operating losses of S$345 million in 2008 were mainly due to joint income offset, and increased allowances and investment losses as a result of the deterioration in the financial markets.

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2008		2007	
	S$m	**%**	**S$m**	**%**
Total core income				
Singapore [(1)]	**2,684**	**63**	2,717	65
Malaysia [(2)]	**914**	**22**	961	23
Other ASEAN	**326**	**8**	315	7
Asia Pacific	**272**	**6**	157	4
Rest of the World	**45**	**1**	38	1
	4,241	**100**	4,188	100
Profit before income tax				
Singapore [(1) (2)]	**1,244**	**66**	1,596	65
Malaysia [(2)]	**519**	**27**	670	28
Other ASEAN	**81**	**4**	93	4
Asia Pacific	**45**	**2**	63	2
Rest of the World	**10**	**1**	24	1
	1,899	**100**	2,446	100
Total assets				
Singapore	**118,157**	**66**	117,833	67
Malaysia	**38,402**	**21**	36,309	21
Other ASEAN	**5,853**	**3**	5,940	4
Asia Pacific	**15,029**	**8**	10,951	6
Rest of the World	**3,944**	**2**	3,574	2
	181,385	**100**	174,607	100

(1) Pre-tax divestment gains of S$186 million for 2008 and S$93 million for 2007 are not included in total core income and profit before income tax.
(2) Certain numbers for 2007 were reclassified for comparative purpose.

The geographical segment analysis is based on the location where assets or transactions are booked. For 2008, Singapore accounted for 63% of total income and 66% of pre-tax profit, while Malaysia accounted for 22% of total income and 27% of pre-tax profit. Pre-tax profit for Singapore declined by 22% in 2008 due mainly to lower insurance profits, weaker investment and trading income and increased net allowances for loans and other assets. Malaysia's pre-tax profit fell by 23% in 2008, largely due to the decline in insurance contribution.

CAPITAL ADEQUACY RATIOS

Based on the revised MAS Notice 637 effective January 2008, the Group's total capital adequacy ratio ("CAR") under the Basel II framework was 15.1% and the Tier 1 CAR was 14.9% as at 31 December 2008. The total and Tier 1 CAR as at 31 December 2007, which were computed under the Basel I framework, were 12.4% and 11.5% respectively. The Group's capital ratios remain well above the MAS minimum requirement of 6% for Tier 1 CAR and 10% for total CAR.

During the year, the Group raised S$2.5 billion of Tier 1 non-cumulative, non-convertible preference shares in the Singapore market, and RM1.6 billion of Lower Tier 2 subordinated notes in Malaysia. (Details on the components of the Group's CAR can be found in the chapter on Capital Management)

VALUATION SURPLUS

	2008	2007
	S$m	**S$m**
Properties [(1)]	**2,369**	2,513
Equity securities [(2)]	**(277)**	2,654
Total	**2,092**	5,167

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end.
(2) Comprises investments in quoted associates and subsidiaries, which are valued based on their market prices at the end of the financial year.

The Group's unrealised valuation surplus represents the difference between the carrying values of its properties and investments in quoted subsidiaries/associates as compared to the property values and market prices of the quoted investments at the respective periods. The carrying values of subsidiaries and associates are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation, and impairment, if any.

As at 31 December 2008, the Group's valuation surplus was S$2.09 billion, 60% lower compared to 31 December 2007, due mainly to significant falls in quoted prices of equity securities as a result of the global financial crisis. The deficit of S$277 million on equity securities valuation was primarily from the Group's stakes in Bank OCBC NISP, GEH and PacificMas Berhad.

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

The purpose of this disclosure is to provide the information in accordance with Pillar 3 directives under MAS Notice 637. This supplements the disclosure in the Risk Management and Capital Management Chapters as well as related information in the Notes to the Financial Statements and Management Discussion and Analysis.

Exposures and Risk Weighted Assets (RWA) by Portfolio

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	6,308	5,873
Sovereign	20,035	176
Bank	1,429	642
Regulatory Retail	5,067	3,848
Residential Mortgage	605	229
Equity & PE/VC	1,139	1,157
Others	4,749	4,224
Total Standardised	39,332	16,149
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	44,069	36,441
Specialised Lending	16,322	18,074
Bank	22,978	3,502
Advanced IRB		
Residential Mortgage	23,590	3,916
Qualifying Revolving Retail	3,085	1,386
Other Retail	1,836	332
Securitisation IRB		
Securitisation	345	481
Total IRB	112,225	64,132
Total Credit Risk	151,557	80,281
Market Risk		
Standardised Approach		9,144
Operational Risk		
Standardised Approach		5,662
Basic Indicator Approach		435
Total Operational Risk		6,097
Total RWA		**95,522**

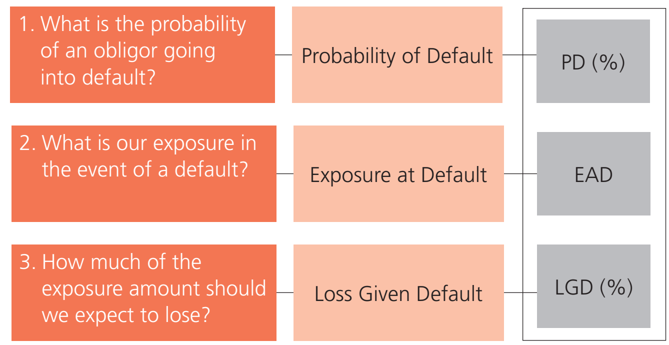
Capital Adequacy Ratio (CAR) for Significant Banking Subsidiaries

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	104.0%	104.0%
OCBC Bank (Malaysia) Berhad	8.4%	11.2%
OCBC Al-Amin Bank Berhad	6.5%	11.0%
OCBC Bank (China) Limited	43.5%	45.6%
P.T. Bank OCBC NISP Tbk	14.2%	17.0%
P.T. Bank OCBC Indonesia	20.5%	32.0%

Note: The capital adequacy ratio of Bank of Singapore Limited is computed based on the standardised approach under the Basel II framework. Capital adequacy ratio computations at the overseas banking subsidiaries are currently based on Basel I requirements.

CREDIT RISK

With Basel II implementation, OCBC Group has adopted the Internal Ratings-Based (IRB) Approach for major credit portfolios, where 3 key parameters – Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are used to quantify credit risk.



Credit Exposures under Standardised Approach

Credit exposures under standardised approach are mainly exposures to sovereign, debt securities, commercial property loans and lending to small businesses. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to small businesses and other assets.

Risk Weight	EAD S$ million
0%	20,244
20% – 35%	1,281
50% – 75%	6,706
100%	9,794
>100%	168
Total	**38,193**
Rated exposures	20,862
Unrated exposures	17,331

Equity and PE/VC Exposures under Standardised Approach

Equities and private equity venture capital investments for regulatory capital computation were taken at cost and risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the standardised approach. Equity exposure of S$31 million has been deducted from regulatory capital.

Risk Weight	EAD S$ million
100%	1,121
200%	18
Total	**1,139**

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include financing of income-producing real estate as well as project, object and commodity finance.

Risk Weight	EAD S$ million
50%	3,429
70%	2,480
90%	894
115%	7,995
250%	1,440
Default	84
Total	**16,322**

Credit Exposures under Foundation Internal Ratings Based Approach (F-IRBA)

Corporate exposures are mainly exposures to corporate and institutional customers as well as major non-bank financial institutions. Bank exposures are exposures to banks and eligible public sector entities.

Corporate Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	5,636	17%
> 0.05 to 0.5%	9,712	43%
> 0.5 to 2.5%	17,214	86%
> 2.5 to 15%	10,115	146%
> 15%	732	222%
Default	660	0%
Total	**44,069**	**83%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	19,687	10%
> 0.05 to 0.5%	2,241	27%
> 0.5 to 2.5%	968	82%
> 2.5 to 15%	69	128%
> 15%	3	237%
Default	10	0%
Total	**22,978**	**15%**

Credit Exposures under Advanced Internal Ratings Based Approach (A-IRBA)

Residential Mortgages are loans to individuals secured by residential properties. Qualifying Revolving Retail exposures are revolving unsecured loans to individuals e.g. credit cards. Other Retail exposures are mainly auto loans in Singapore.

Residential Mortgages

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	13,059	1,921	11%	5%
> 0.5 to 3%	6,710	681	11%	17%
> 3 to 10%	2,863	169	16%	55%
> 10%	676	7	11%	61%
100%	282	–	16%	60%
Total	**23,590**	**2,778**	**12%**	**17%**

Qualifying Revolving Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,639	1,236	88%	9%
> 0.5 to 3%	819	444	86%	44%
> 3 to 10%	453	166	90%	115%
> 10%	148	38	90%	237%
100%	26	–	89%	4%
Total	**3,085**	**1,884**	**88%**	**45%**

Other Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,253	#	26%	11%
> 0.5 to 3%	454	2	27%	29%
> 3 to 10%	87	#	28%	45%
> 10%	39	#	28%	66%
100%	3	–	28%	1%
Total	**1,836**	**2**	**26%**	**18%**

Amount less than $0.5 million.

Actual Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to specific allowances net of write-backs and recoveries. Discussion of the factors that impacted on the loss experience in the preceding period is not provided as the Group has only operated on IRB approaches since 1 Jan 2008.

	S$ million
Corporate and Specialised Lending	57
Bank	10
Retail	33
Total	**100**

Securitisation Exposures Purchased/Retained

	S$ million			
	EAD			
Risk Weight	Asset-Backed	Others	Total	RWA
up to 20%	142	–	142	21
> 20% to 50%	24	21	45	17
> 50% to 100%	22	73	95	75
> 100% to 500%	–	27	27	123
> 500%	–	36	36	245
Total	**188**	**157**	**345**	**481**
Deductions from Tier 1 and Tier 2 Capital	189	–	189	

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

Exposures Covered by Credit Risk Mitigation

Standardised Approach

	Eligible Financial Collateral S$ million
Corporate	116
Sovereign	1,048
Bank	–
Regulatory Retail	241
Residential Mortgage	#
Others	73
Total	**1,479**

Amount less than $0.5 million.

Foundation IRB Approach

	Eligible Financial Collateral S$ million	Other Eligible IRB Collateral S$ million
Corporate	1,583	6,184
Bank	128	–
Total	**1,711**	**6,184**

Note:
1. Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.
2. Does not include collateral for exposures under Advanced IRB Approach and Specialised Lending.

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	6,232
Potential Future Exposure	2,062
Effects of Netting	(1,280)
EAD under Current Exposure Method	**7,014**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,491
Interest Rate Contracts	3,123
Equity Contracts	89
Precious Metals Contracts	–
Other Commodities Contracts	12
Credit Derivative Contracts	299
Cash Collateral Held	**75**
Net Derivatives Credit Exposure	**6,939**

Note: Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.

Credit Derivatives

	S$ million Notional Amount Bought	Sold
Swaps		
for own credit portfolio	1,948	1,821
for intermediation activities	5	–
Total	**1,953**	**1,821**

Note: Credit derivatives for own credit portfolio include trading portfolio and hedges, if any.

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	350
Equity position risk	3
Foreign exchange risk	379
Commodity risk	–
Total	**732**

EQUITY EXPOSURES

Disclosures on valuation and accounting treatment of equity holdings can be found in Notes to the Financial Statements 2.2.3, 2.6.2, 2.12.2 and 2.23.3.

Equity exposures comprise equity securities categorised as "Available-for-sale" (AFS) and investments in associates and joint ventures. AFS securities are carried at fair value in the balance sheet of the Group while investments in associates are carried at cost and adjusted for post-acquisition changes of the Group's share of the net asset of the associates.

Equity exposures calculated in accordance with the Accounting Standards differ from the regulatory definition under MAS Notice 637 in the following key areas:
1. Equity investments held by insurance subsidiaries (included below) are not consolidated for regulatory computation.
2. Debt instruments approved for inclusion as Tier 1 capital are treated as equity exposures under MAS Notice 637.

Carrying Value of Equity Exposures

	S$ million
Quoted equity exposure – AFS	1,326
Unquoted equity exposure – AFS	295
Quoted equity exposure – Associates	6
Unquoted equity exposure – Associates	126
Total	**1,753**

Realised and Unrealised Gains and Losses

	S$ million
Gains from disposal of AFS equities	217
Unrealised gains included in fair value reserve	303
Total	**520**

Directors' Report

For the financial year ended 31 December 2008

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2008.

DIRECTORS

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

Cheong Choong Kong, Chairman
Bobby Chin Yoke Choong
David Philbrick Conner, Chief Executive Officer
Fang Ai Lian (appointed on 1 November 2008)
Giam Chin Toon
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy (appointed on 1 November 2008)
Neo Boon Siong
Pramukti Surjaudaja
Tsao Yuan, also known as Lee Tsao Yuan
David Wong Cheong Fook
Wong Nang Jang
Patrick Yeoh Khwai Hoh

Mr Bobby Chin Yoke Choong and Mr Pramukti Surjaudaja retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Dr Tsao Yuan and Mr David Wong Cheong Fook, who retire pursuant to Articles 95 and 96 of the Articles of Association of the Bank, have expressed their wish to retire at this forthcoming annual general meeting and will not offer themselves for re-election.

Mrs Fang Ai Lian and Mr Colm McCarthy, who were appointed to the Board under Article 101 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Report

For the financial year ended 31 December 2008

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 the share capital of the Bank and its related corporation, as follows:

	Direct interest		Deemed interest	
	At 31.12.2008	At 1.1.2008/ Date of appointment	At 31.12.2008	At 1.1.2008/ Date of appointment
BANK				
Ordinary shares				
Cheong Choong Kong	**127,982**	97,179	**39,715** (1)	69,487 (2)
Bobby Chin Yoke Choong	**9,600**	4,800	**40,000** (5)	40,000 (5)
David Conner	**1,120,542**	1,009,393	**401,493** (3)	288,018 (4)
Giam Chin Toon	**14,400**	9,600	**–**	–
Lee Seng Wee	**6,653,994**	6,649,194	**3,901,094** (5)	3,901,094 (5)
Lee Tih Shih	**2,362,752**	2,357,952	**–**	–
Neo Boon Siong	**14,400**	9,600	**–**	–
Tsao Yuan	**19,200**	14,400	**936** (5)	936 (5)
David Wong Cheong Fook	**28,400**	21,600	**–**	–
Wong Nang Jang	**586,146**	379,746	**165,322** (5)	165,322 (5)
Patrick Yeoh Khwai Hoh	**19,200**	14,400	**–**	–
5.1% Class B non-cumulative non-convertible preference shares				
Fang Ai Lian	**1,700**	1,700	**–**	–
4.2% Class G non-cumulative non-convertible preference shares				
Cheong Choong Kong	**15,000**	15,000	**–**	–
Bobby Chin Yoke Choong	**–**	–	**8,227** (5)	8,227 (5)
David Conner	**50,000**	50,000	–	–
Lee Seng Wee	**800,000**	800,000	**600,000** (5)	600,000 (5)
Lee Tih Shih	**240,000**	240,000	**–**	–
Tsao Yuan	**–**	–	**7,000** (5)	7,000 (5)
Wong Nang Jang	**38,216**	38,216	**21,372** (5)	21,372 (5)
OCBC Capital Corporation (2008)				
5.1% Non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	–	**–**	–
Lee Tih Shih	**10,000**	–	**–**	–
Tsao Yuan	**3,000**	–	**–**	–
David Wong Cheong Fook	**200**	–	**–**	–
Patrick Yeoh Khwai Hoh	**10,000**	–	**10,000** (5)	–

(1) Comprises interest of 9,600 ordinary shares held by spouse and 30,115 ordinary shares under OCBC Deferred Share Plan.

(2) Comprises interest of 9,600 ordinary shares held by spouse and 59,887 ordinary shares under OCBC Deferred Share Plan.

(3) Comprises interest of 392,787 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 8,706 ordinary shares under OCBC Employee Share Purchase Plan.

(4) Comprises interest of 276,856 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 11,162 ordinary shares under OCBC Employee Share Purchase Plan.

(5) Ordinary shares/preference shares held by spouse.

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

Directors' Report
For the financial year ended 31 December 2008

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)
Save as disclosed above, no directors had any interest in shares, or debentures of, the Bank or related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2009.

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

On 12 June 2006, an agreement was made between Dr Cheong Choong Kong ("Dr Cheong"), non-executive director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as consultant to oversee and supervise the strategic planning of the Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the Group. Under the agreement, in respect of the financial year ended 31 December 2008, Dr Cheong has received payments and benefits amounting to $1,111,560, and will receive a variable bonus of $100,000, or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of the Bank. In respect of financial year ended 31 December 2007, Dr Cheong received aggregate payments and benefits of $1,090,562 and variable bonus of a total amount of $1,350,000 comprising bonus of $100,000 and additional bonus of $1,250,000.

In his capacity as a director of the Bank, Dr Cheong is also eligible for any directors' fees or share options that are recommended by the Board of Directors. Dr Cheong's total remuneration (including the payments mentioned above and all benefits, variable bonus, directors' fees and share options) for the financial year ended 31 December 2008 is reflected in the Directors' Remuneration table in the Corporate Governance Section of the Annual Report.

SHARE-BASED COMPENSATION PLANS
The Bank's share-based compensation plans are administered by the Remuneration Committee, which comprises:

Tsao Yuan, Chairman
Cheong Choong Kong
Fang Ai Lian
Lee Tih Shih
Wong Nang Jang

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

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.

Directors' Report
For the financial year ended 31 December 2008

SHARE-BASED COMPENSATION PLANS (continued)
The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Schemes

The OCBC Executives' Share Option Scheme 1994 ("1994 Scheme") was approved at an extraordinary general meeting on 11 June 1994. The 1994 Scheme was terminated on 3 August 2001 and replaced by the OCBC Share Option Scheme 2001. Outstanding options under the 1994 Scheme remain valid until the respective expiry dates of the options.

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

Particulars of Options 1998R, 1999R, 2000, 2001, 2002, 2002A, 2002B, 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006A, 2006B, 2007, 2007A, 2007B and 2007NED were set out in the Directors' Reports for the financial years ended 31 December 1999 to 2007.

During the financial year, pursuant to the 2001 Scheme, options to acquire 5,579,220 ordinary shares at $7.52 per share were granted to 532 eligible executives of the Group ("2008 Options"), as well as to a non-executive director of the Bank ("2008NED 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 five consecutive trading days immediately prior to the date when the offer to grant an option was made to a grantee.

Details of unissued ordinary shares under the share option scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2008 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2008 Outstanding	At 31.12.2008 Exercisable
1998R	22.01.2001 to 21.01.2008	2.675	291,448	280,124	–	–
1999R	10.12.2001 to 09.12.2008	3.139	1,355,176	1,284,280	–	–
2000	06.12.2002 to 05.12.2009	4.542	266,371	266,371	2,416,424	2,416,424
2001	05.12.2003 to 04.12.2010	5.367	394,638	390,175	3,923,848	3,923,848
2002	09.04.2003 to 08.04.2012	5.742	641,226	627,918	5,840,395	5,840,395
2002A	23.04.2003 to 22.04.2012	5.692	–	–	720,000	720,000
2002B	24.10.2003 to 23.10.2012	4.367	–	–	180,000	180,000
2003	28.03.2004 to 26.03.2013	4.067	514,021	508,386	4,767,256	4,767,256
2004	16.03.2005 to 14.03.2014	5.142	386,968	381,569	4,326,837	4,326,837
2004A	20.08.2005 to 18.08.2014	5.492	–	–	160,800	160,800
2004B	23.11.2005 to 21.11.2014	5.667	–	–	103,200	103,200
2005	15.03.2006 to 13.03.2015	5.767	474,151	469,211	4,219,066	4,219,066
2005A	09.04.2006 to 07.04.2015	5.784	452,088	432,324	1,438,228	1,438,228
2006	15.03.2007 to 13.03.2016	6.820	212,252	210,891	3,488,402	2,193,556
2006A	24.01.2007 to 22.01.2016	6.780	8,184	8,184	–	–
2006B	24.05.2007 to 22.05.2016	6.580	102,190	96,648	1,059,040	634,040
2007	15.03.2008 to 13.03.2017	8.590	29,469	28,503	3,476,226	1,142,109
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	146,850
2007B	15.03.2008 to 13.03.2017	8.590	12,870	12,870	951,010	313,170
2007NED	15.03.2008 to 13.03.2012	8.590	–	–	200,000	66,000
2008	15.03.2009 to 13.03.2018	7.520	–	–	5,173,720	–
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	–
			5,141,052	4,997,454	43,089,452	32,591,779

Directors' Report
For the financial year ended 31 December 2008

SHARE-BASED COMPENSATION PLANS (continued)

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible for the ESP Plan. Particulars of the ESP Plan were set out in the Directors' Report for the financial year ended 31 December 2007.

The Bank's second offering of ESP Plan, which commenced on 1 July 2006, had expired on 30 June 2008. During the financial year, 5,456,660 ordinary shares were transferred from Treasury Shares' account to participants upon exercise of acquisition rights and upon conversion at the end of the offering period.

In June 2008, the Bank launched its third offering of ESP Plan, which commenced on 1 July 2008 and will expire on 30 June 2010. Under the third offering, 6,281 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 11,423,533 ordinary shares at $8.27 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.

(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 program extended to executives of the Group ranked Assistant Manager and above at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Total awards of 4,424,988 ordinary shares (including 202,469 ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2008. In addition, total awards of 239,895 ordinary shares (including 14,480 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2007 and interim dividend for financial year ended 31 December 2008. During the financial year, 1,161,934 deferred shares were released to grantees, of which 130,790 deferred shares were released to directors of the Bank.

Changes in the number of options under the share option scheme and acquisition rights under the ESP Plan held by directors for the financial year under review are as follows:

Name of director	Options granted/ rights subscribed to acquire ordinary shares for the financial year ended 31.12.2008	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2008	Aggregate number of options/rights exercised/ converted since commencement of scheme/plan to 31.12.2008	Aggregate number of options/rights outstanding at 31.12.2008
Option Scheme				
Cheong Choong Kong	200,000	914,800	–	914,800
David Conner	450,000	4,565,000	720,000	3,845,000
Wong Nang Jang	–	927,539	735,539	192,000
ESP Plan				
Cheong Choong Kong	–	14,257	14,257	–
David Conner	8,706	34,125	25,419	8,706

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2009.

Directors' Report
For the financial year ended 31 December 2008

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

Bobby Chin Yoke Choong, Chairman
Colm Martin McCarthy
Neo Boon Siong
Tsao Yuan
David Wong Cheong Fook

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

The Audit Committee also reviewed the following:

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

The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings.

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

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

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

DAVID PHILBRICK CONNER
Director

Singapore
18 February 2009

Statement by Directors

For the financial year ended 31 December 2008

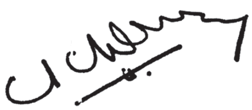
In the opinion of the directors,

(a) the financial statements set out on pages 72 to 147 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2008, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and

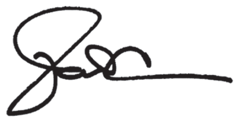
(b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors,



CHEONG CHOONG KONG
Director



DAVID PHILBRICK CONNER
Director

Singapore
18 February 2009

Independent Auditors' Report

To the Members of Oversea-Chinese Banking Corporation Limited

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2008, the income statements and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended; a summary of significant accounting policies and other explanatory notes set out on pages 72 to 147.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2008, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
18 February 2009