OCBC Bank

A Focused Strategy

A Diversified Business

ANNUAL REPORT 2016

Contents

Our Purpose

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

Our Values

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

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

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

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

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

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

Who can you bank on...
in good and uncertain times?

An organisation that upholds trust and integrity,
and takes a long-term view of its business and its
relationship with shareholders, customers and employees

An established institution with a rich history and
a proven legacy of stability, prudence and drive for progression

A diversified financial services group that possesses
extensive capabilities and knowledge, with a deep presence in
and connectivity across North and Southeast Asia

OCBC Bank

Letter from Chairman and CEO

from left
Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ooi Sang Kuang
Chairman

As the longest established Singapore bank, OCBC's unique franchise is built on a focused strategy of diversified growth, solid financial foundation, and core values of fair dealing, strong governance, responsible financing, continued investment in our human resources and giving back to the community we serve. This belief has driven our continued success and delivery of sustainable returns to our shareholders. It has also positioned OCBC well to effectively respond to the current turbulent operating environment, as reflected in our resilient 2016 financial performance.

Dear Shareholders,
2016 was a very challenging year. Global growth was slow for the major part of the year, underscored by weak global demand, deflationary pressures and continued slowdown in international trade. While the conduct of monetary policy by central banks was supportive, international trade, investment and capital flows were negatively impacted by the onset of an unsettling institutional and international trade re-arrangement following the shock of Brexit. Furthermore, the ongoing normalisation of the excess capacities in some industries, and in particular the oil and gas sector in Singapore, required careful accommodation and dedicated work-out by financiers and banks to help support the long structural adjustment. Amidst a prolonged period of sustained and historically low global interest rate environment, banks in Asia and Singapore continued to face increased competition and pressure on margins, while managing credit quality amidst slower economic growth. An increasingly complex and stringent regulatory requirement and heightened concerns on cyber security threats added to the pressure on cost management. Against this very difficult backdrop, we exhibited resilience in our performance. Our 2016 results demonstrated the ongoing success of our long-term strategy and our steadfast belief that prudent risk-taking, strong governance and continuous investments in our people, technology and system and processes will underpin our long-term sustainability.

We believe that OCBC's well-integrated and diversified franchise inherently lowers risk and volatility to our earnings, and has enabled us to achieve balanced growth across economic cycles. We remain focused on capturing expanded and new opportunities arising from the megatrends influencing regional and global markets, particularly in Asia, by prudently investing in markets we serve, strengthening our network, enhancing our collaborative culture, deepening our capabilities and broadening our product offerings. A disciplined pursuit of organic growth of our core businesses will be supported by the securing of inorganic opportunities that fit into our long-term strategy and corporate culture through highly selective acquisitions that create sustainable shareholder value over the long term.

We would like to assure our shareholders that we will continue to proactively manage our portfolio. In the current difficult operating climate, the soft macroeconomic environment and weak market conditions impacted a range of activities, in particular, conditions in the oil and gas support services sector were severe. However, we remain comfortable with the quality of our overall loan portfolio and balance sheet strength. We have been prudent and selective in new loan originations, proactive in identifying stressed assets for close monitoring and judiciously set aside loan loss provisioning. We remain committed to supporting and developing long-term relationships with our customers.

We are pleased that OCBC was recognised by *Global Finance* as the Best Bank in Singapore in 2016. Our hallmark balance sheet strength, prudent risk management practices, robust capital, and healthy liquidity and funding position have led to OCBC being ranked as one of the World's Strongest Banks by *Bloomberg* in its most recent 2015 report. OCBC is also consistently placed as one of the World's Top 50 Safest Banks by *Global Finance*. All of these achievements and the many other awards cited in this Annual Report firmly illustrate OCBC's reputation as a trusted financial institution. Our fundamental strength was further endorsed by the international rating agencies which maintained our AA investment grade rating with a Stable Outlook.

Performance Review

Amidst the difficult operating environment, OCBC posted a resilient set of results in 2016, and further strengthened its balance sheet as well as capital, liquidity and funding position. For the full year 2016, OCBC reported a net profit after tax of S$3.47 billion, a decline of 11% as compared with the strong prior year performance, which included a substantial one-off investment gain by our insurance subsidiary, Great Eastern Holdings. The year-on-year decline was also attributed to a significant rise in net allowances. Lower net interest income, trading and insurance income more than offset higher wealth management fee income and increased contributions from our Indonesia and Hong Kong banking subsidiaries. The return on average equity was 10.0% and earnings per share was 82.2 cents.

The full year results also included the one month consolidated results of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong ("Barclays WIM") which was acquired by our wholly-owned subsidiary, Bank of Singapore at the end of November 2016 for a consideration of US$228 million. Its one month impact was not material relative to the Group's 2016 earnings.

Net interest income declined 3% to S$5.05 billion, largely attributable to a decline in average loans and other interest-earning assets, including a drop in interbank placements. Net interest margin of 1.67% was unchanged from that of the previous year.

Non-interest income of S$3.44 billion was 3% lower as compared with S$3.53 billion a year ago, which included a S$136 million realised pre-tax gain from the sale of an investment in Great Eastern Holdings' equity portfolio. Fee and commission income of S$1.64 billion was similar to 2015, as strong growth in wealth management fees were balanced out by a decline in brokerage and investment banking income. Net trading income of S$529 million declined 4% due to lower non-customer flow income. Net gains from the sale of investment securities were S$198 million, while profit from life assurance was 21% lower at S$499 million. The Group's share of results of associates grew 13% to S$396 million, driven by increased contributions from Bank of Ningbo and AVIC Trust Co Limited.

Against the previous year, operating expenses rose 3% to S$3.79 billion, and the cost-to-income ratio was 44.6%. Excluding the Barclays WIM acquisition, operating expenses were up 2%, reflecting the Group's continued discipline in managing costs and staff headcount.

Given the headwinds facing businesses and individuals in 2016, we continued to be watchful over our credit portfolio for potential signs of weakness. While the overall credit quality of the portfolio remained sound, the uncertain outlook, low oil prices and excess capacities particularly impacted the oil and gas support services sector. OCBC took proactive measures to classify several related accounts for close monitoring, and engaged customers to reschedule and restructure their loans. The downgrades of these accounts led to the year-on-year rise in non-performing loans ("NPL") as well as specific loan allowances. As a result, total net allowances for loans and other assets were significantly higher at S$726 million for the year, as compared with S$488 million in 2015. Net specific allowances for loans of S$484 million were above S$232 million a year ago, which were primarily driven by oil and gas support services sector related accounts. Portfolio allowances of S$172 million were set aside given the weaker market environment and as a cushion for potential further deterioration of the oil and gas portfolio. As at 31 December 2016, absolute non-performing assets ("NPAs") were S$2.89 billion, as compared with S$2.04 billion in 2015. New NPA formation of S$2.29 billion was higher than S$1.95 billion a year ago, while net recoveries and upgrades of S$1.16 billion were better than S$0.96 billion the previous year. The net increase in NPAs largely comprised corporate accounts in the oil and gas support services sector, leading to an increase in the overall NPL ratio from 0.9% a year ago to 1.3% in 2016. Despite their classification as NPLs, however, 52% of the oil and gas NPL portfolio were still performing in terms of at least full interest payments at commercial rates as at 31 December 2016.

The Group's funding and capital position remained sound. As at 31 December 2016, customer loans grew 5% to S$220 billion (3% excluding consolidation of Barclays WIM), while customer deposits climbed 6% from a year ago to S$261 billion and made up 80% of the Group's funding composition. The growth in deposits was supported by an 11% increase in current account and savings account ("CASA") deposits, and the proportion of CASA to non-bank deposits rose to 51.1% from 48.9% a year ago. The Group's loans-to-deposits ratio stood at 82.9%, as compared with 84.5% a year ago.

The Group's average Singapore dollar and all-currency liquidity coverage ratios (excluding OCBC Wing Hang which will be included in due course) were 284% and 145% respectively for the fourth quarter of 2016, well above the respective regulatory ratios of 100% and 70%. As at 31 December 2016, based on Basel III transitional arrangements, the Group's Common Equity Tier 1 capital adequacy ratio ("CAR") was 14.7%, with Tier 1 CAR and Total CAR at 15.1% and 17.1% respectively. Based on Basel III transitional arrangements, these ratios remained well above the respective regulatory minima of 6.5%, 8% and 10%. In addition to these minimum capital requirements, a Capital Conservation Buffer ("CCB") of 2.5% and Countercyclical Buffer of up to 2.5% will be phased in from 2016 to 2019. The CCB was 0.625% as at 1 January 2016, and will be increased by 0.625% each year to reach 2.5% on 1 January 2019.

The Group's leverage ratio of 8.2% was higher than the 3% minimum requirement as guided by the Basel Committee. The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items).

Turning to our subsidiaries of Great Eastern Holdings, OCBC Bank Malaysia, Bank OCBC NISP and OCBC Wing Hang, they contributed a total of 35% to the Group's net profit after tax in 2016. Great Eastern Holdings continued to register strong growth in its underlying insurance business in 2016. Total weighted new sales were up 11% as compared with the previous year, bolstered by sales growth in Singapore and Malaysia. New business embedded value ("NBEV"), a

Letter from Chairman and CEO

Mr Ooi Sang Kuang, OCBC Bank Chairman, presented GEMS Awards to staff who had consistently delivered excellent customer service at the annual Chairman's GEMS Awards ceremony held on 14 November. Ms Connie Kang received top honours as the Principal Award winner.

measure of long-term economic profitability, increased 22% while NBEV margin improved to 43.6% from 39.5% a year ago. Great Eastern Holdings' net profit after tax for the year of S$589 million, however, was 25% lower as 2015 had included a post-tax gain of S$120 million from the sale of an equity investment. The decline in earnings was also attributed to a rise in costs associated with increased sales volumes, higher medical claims and mark-to-market losses in its Non-Participating Fund as a result of unfavourable interest rate movements. For the full year, Great Eastern Holdings' net profit after tax contribution to the Group was S$470 million, down from S$639 million in the prior year, and accounted for 14% of the Group's earnings in 2016.

OCBC Bank Malaysia reported an 8% decline in full year net profit after tax to RM808 million (S$270 million). Lower operating profit was offset by a fall in net allowances. As at 31 December 2016, customer loans of RM69 billion (S$22 billion) were 2% lower year-on-year, while the NPL ratio remained relatively stable at 2.2%. OCBC Bank Malaysia's contribution to the Group's 2016 earnings was 8%.

Bank OCBC NISP turned in another consecutive year of strong growth, with net profit after tax at IDR1,790 billion (S$186 million) in 2016. The 19% year-on-year increase in earnings was underpinned by broad-based income growth. Total customer loans grew 9% to IDR93 trillion (S$10 billion) from a year ago, while the NPL ratio stood at 1.9%. For the full year, Bank OCBC NISP contributed 4% to the Group's overall net profit after tax.

OCBC Wing Hang's 2016 net profit after tax contribution to the Group rose 2% year-on-year to HK$1.77 billion (S$315 million) and contributed 9% of the Group's net profit after tax. As at 31 December 2016, customer loans grew 6% to HK$163 billion (S$30 billion), while the NPL ratio was 0.9%.

On a business line contribution basis, income from wealth management, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, was S$2.27 billion and contributed 27% of the Group's total income in 2016. Bank of Singapore's assets under management ("AUM") were US$79 billion (S$115 billion) as at 31 December 2016, which included the transfer of US$13 billion in AUM from Barclays WIM in November 2016. This represented an increase of 45% against the AUM of US$55 billion (S$77 billion) from a year ago. Bank of Singapore's earning asset base, which includes loans that were extended on a secured basis, was up 43% at US$97 billion (S$140 billion) from US$68 billion (S$96 billion) the previous year.

Dividends

The Board has recommended a final tax-exempt dividend of 18 cents per share, bringing the total full year 2016 dividend to 36 cents, which was comparable to that of the previous year. This translates to a dividend payout ratio of 43% of our core earnings. The Scrip Dividend Scheme will not be applicable to the final dividend.

Well-positioned Businesses in Attractive Markets

OCBC is Southeast Asia's second largest financial services group with a total asset base of S$410 billion. With over 29,000 staff located in more than 610 branches and representative offices in 18 countries and regions, we possess a broad geographic footprint with a comprehensive retail & commercial banking, wealth management and insurance franchise. This well-diversified franchise, combined with a loyal customer base, highly motivated employees and solid capital and liquidity foundation, have enabled OCBC to promote balanced and sustainable growth to deliver consistent long-term returns to our shareholders amidst a constantly and rapidly changing macroeconomic, financial, and socio-political environment globally and in Asia.

Our strong regional presence in Asia is anchored in our home market of Singapore. As a leading global financial centre, Singapore is backed by a robust and transparent legal and regulatory framework, sound economic fundamentals, political stability, well-established business infrastructure, global connectivity and strong trade linkages. It is also an international wealth management and insurance hub, with deep

(From left) Mr Chen Xue Feng, Independent Director of OCBC Wing Hang China; Mr Michael Fung, Senior General Manager of OCBC Wing Hang; Mr Samuel Tsien, OCBC Bank Group CEO, and Ms Kng Hwee Tin, CEO of OCBC Wing Hang China, presided over a logo-unveiling ceremony in Shanghai, China on 18 July, to mark the merger of OCBC China and Wing Hang China to become OCBC Wing Hang China.

Mr Michael Fung (left), Senior General Manager of OCBC Wing Hang; Mr Na Wu Beng (second from left), CEO of OCBC Wing Hang; Dr Patrick Fung (second from right), Chairman of OCBC Wing Hang, and Mr Samuel Tsien (right), OCBC Bank Group CEO, presented scholarships to the children of OCBC Wing Hang staff at a ceremony held on 21 December in Hong Kong. Ms Siu Hau Lam, accompanied by her father Mr Siu Hing Ming (third from left), was among the scholarship recipients.

and liquid financial markets supporting Asia's rapid growth and development. As the longest established Singapore bank, OCBC has built a solid and leading franchise in Singapore, which accounted for half of the Group's earnings. Beyond Singapore, we continued to make significant progress in our long-term strategy to embed OCBC as the financial partner of choice for regional customers seeking to do business in the international markets. We further leveraged on our strong network and deep onshore relationships in our core markets to comprehensively serve our customers' offshore banking, wealth, trade, capital and investment needs in overseas markets.

Our Greater China presence was significantly broadened when we acquired Wing Hang Bank in 2014. OCBC Wing Hang, as the bank is now called, reported another year of increased net profit contribution to the Group, and has made considerable progress to closely integrate with OCBC to drive synergistic value across the Group. OCBC Wing Hang completed a key milestone in July 2016 with the successful merger of our two banking subsidiaries in mainland China – OCBC Bank (China) Limited and Wing Hang Bank (China) Limited – to become OCBC Wing Hang Bank (China) Limited, itself a wholly-owned subsidiary of OCBC Wing Hang. By doing so, we have not only complied with China's single presence policy for foreign banks, but also allowed the pursuit of our Greater China strategy across the key markets of China, Hong Kong and Macau to be driven by a single unified platform with a bigger network, a stronger capital base, and a more comprehensive suite of capabilities and products.

2016 also marked the 10th year of strategic partnership with our associated company Bank of Ningbo, as we continued to enjoy a very fruitful onshore and offshore collaboration with Bank of Ningbo in trade finance, private banking, treasury activities and fund management. With the strong progress we have made, our focused Greater China strategy has also enabled us to capture new in-market opportunities in the Pearl River Delta, and further deepen our market penetration in Hong Kong and Macau. We also actively supported Chinese corporates' cross-border financing opportunities arising from China's "One Belt, One Road" ("OBOR") initiative in Malaysia, Indonesia and Myanmar. A large part of our success is derived from our competitive strengths of in-depth market knowledge, ready access to local funding, and seamless connectivity within the wide OCBC network to support our customers.

In Malaysia, we continued to position ourselves to advance the customer experience, which included opening Premier Banking Centres within our existing branches and upgrading all five OCBC Al-Amin Xpres outlets into full-fledged Islamic banking branches. We actively supported customers in commercial banking and capital market activities, and were recognised as the Malaysia International Project Finance Bank of the Year and the SME Bank of the Year in Malaysia by *Asian Banking & Finance*, and Best SME Bank (Treasury & Working Capital) Malaysia by *The Asset*.

In Indonesia, Bank OCBC NISP captured new business opportunities in wealth

Mr Ong Eng Bin, CEO of OCBC Malaysia, performed the traditional "dotting of the eyes" ceremony during the lion dance performance at OCBC Malaysia's Chinese New Year appreciation dinner for customers on 24 February in Kuala Lumpur, Malaysia.

Ms Parwati Surjaudaja (middle), President Director and CEO of Bank OCBC NISP, seen here with Directors Hartati (left) and Rama Pranata Kusumaputra (right) after Bank OCBC NISP's Annual General Meeting of Shareholders on 7 April in Jakarta, Indonesia.

Letter from Chairman and CEO

management and cross-border activities in collaboration with the OCBC Group. It was officially appointed as a Gateway Bank authorised to receive and manage repatriated funds under the government's tax amnesty programme. In addition to contributing to Indonesia's economic growth, it is well-placed to offer its customers competitive financial products and services by leveraging on the regional connectivity of the OCBC Group. Its dedicated efforts in supporting customers were recognised when Bank OCBC NISP won a host of awards in 2016, including Best SME Bank and Domestic Foreign Exchange Bank by *Asian Banking & Finance*.

We have also strengthened our network presence outside our key markets as we follow our customers abroad. Operating in Myanmar with a full banking license, we saw strong growth in customer acquisition, cross-border trade and project financing. For our efforts, we were pleased to have been awarded the Best Syndicated Loan in Myanmar, 2016 by *The Asset*. In Dubai, Bank of Singapore was given approval to operate a branch at the Dubai International Financial Centre, allowing it to offer a more comprehensive range of private banking services to its customers in the region. This initiative will further extend Bank of Singapore's presence far beyond our home base of Singapore and solidify its position as Asia's Global Private Bank.

Turning to our core businesses, our commitment to enhance the customer experience across our broad range of service channels in retail banking saw a strong increase in customer satisfaction as we undertook initiatives in network coverage, new personalised wealth solutions and enhanced digital banking offerings. In commercial banking, OCBC was widely selected as the main bank of choice for our corporate and small and medium-sized business ("SME") customers in Singapore, Malaysia and Indonesia. We were a key lender in a broad-range of Singapore government-led support schemes for SMEs, while across the region, we expanded our product capabilities and increased our client coverage. In insurance, Great Eastern Holdings continued to grow in its core markets of Singapore and Malaysia, and further deepened its capabilities in Indonesia and its Malaysia Takaful business. Great Eastern Holdings generated strong full year underlying insurance growth, as evidenced by healthy new sales and improved new business embedded value. Its robust performance was underpinned by its strong multi-channel distribution capabilities, which included the deep synergistic bancassurance partnership with OCBC.

To reinforce our leadership position in wealth management in Asia, we further aligned our diverse investment management and product structuring expertise within the OCBC Group, including those domiciled at OCBC Bank's Global Treasury, Great Eastern Holdings, OCBC Securities, Lion Global Investors and Bank of Singapore, to ensure the delivery of a most comprehensive advisory, products and services platform for our customers. We also launched OCBC Life Goals, a goal-based advisory service to help customers attain their financial goals in areas such as children's education, retirement and wealth transfer.

In a strategic move to further broaden our regional wealth management franchise, Bank of Singapore acquired Barclays WIM. The acquisition was completed in November 2016, with Bank of Singapore taking on US$13 billion in AUM for a consideration of US$228 million. With a combined AUM as at 31 December 2016 of US$79 billion, this acquisition has further cemented Bank of Singapore's leading Private Bank position in Asia, and better positioned to serve a broader clientele of ultra-high and high net worth individuals

Mr Bahren Shaari (seated, left), CEO of Bank of Singapore, and Mr Samuel Tsien (standing, left), OCBC Bank Group CEO, at the signing ceremony for Bank of Singapore's acquisition of Barclays' Wealth and Investment Management business in Singapore and Hong Kong on 7 April. With them are Mr James Trevelyan (seated, right), Barclays Director of Corporate Development, and Mr Akshaya Bhargava (standing, right), then-CEO of Barclays Wealth, Entrepreneurs & Business Banking.

Mr Samuel Tsien (middle), OCBC Bank Group CEO, was recognised with the CEO Leadership Achievement Award and collected the award for Best Managed Bank in Singapore and the Asia Pacific on behalf of OCBC Bank at The Asian Banker Leadership Achievement Awards ceremony on 10 May in Hanoi, Vietnam. With him are (from left) Mr Alain Chevalier, Chairman of The Asian Banker Summit Advisory Council; Ms Nguyen Thi Hong, Deputy Governor of the State Bank of Vietnam; Mr Barney Frank, former Chairman of the U.S. Congress House Financial Services Committee; and Mr Emmanuel Daniel, Chairman of The Asian Banker.

in our core markets, with a comprehensive range of investment solutions supported by an even stronger and expanded research team. Bank of Singapore was named the Best Private Wealth Management Bank in both Singapore and Southeast Asia by *Alpha Southeast Asia* for the seventh straight year and the Outstanding Private Bank – Southeast Asia 2016, awarded at the *Private Banker International Wealth Awards*.

Market-leading Digital Innovation

Maximising customer satisfaction remains our key priority and we continued to deliver high-quality service and innovative products through our well-received digital channels. Our efforts to make day-to-day banking simpler and more accessible via digital means were acknowledged when OCBC was named the Best Internet Bank in Singapore at the *International Finance Magazine Awards 2016*.

As part of our continuous efforts to improve the customer experience, OCBC was the first Singapore bank to launch an integrated wealth management mobile app, OCBC OneWealth, which allowed customers quick access to key market news and investment insights, while offering unit trust transactions and investment monitoring on the move. In the mobile payments space, we were the first bank in the Asia Pacific to enable secure fund transfers through the OCBC Pay Anyone payment service via Apple's iMessage platform, or through a voice command to Siri, Apple's virtual assistant. For added convenience, customers were also able to make mobile contactless payments using Apple Pay, Samsung Pay and Android Pay.

When we launched the OCBC OneTouch feature in 2015, the OCBC Mobile Banking app was the first such app for Apple iPhones in Singapore that featured biometric authentication, giving instant access to key account information. In 2016, the feature was extended to compatible Android smartphones. OCBC was also amongst the first in Singapore to launch the Apple Watch banking app, which provided access to key account information via the wrist devices. We were the first Singapore bank to launch a business mobile banking app utilising OCBC OneTouch, which permitted users of OCBC's business Internet banking portal, Velocity@ocbc, immediate access to their account information, including balances and transactions. Similarly, OCBC Securities was the first brokerage in Singapore to enable iPhone and Android users to view their stock portfolio using OCBC OneTouch on their iOCBC TradeMobile app. Building on the success of OCBC OneTouch in Singapore, we were the first foreign bank in Malaysia to offer biometric authentication and instantaneous account access to our OCBC Malaysia customers. In Indonesia, we continued to increase our investments in digital banking which included deepening and broadening our mobile banking capabilities. Bank OCBC NISP's sustained efforts to expand its customer reach and engagement through its digital banking platforms were recognised when it was named Domestic Mobile Banking Initiative and Website of the Year 2016 in Indonesia by *Asian Banking & Finance*.

We were the first bank in Southeast Asia to launch an open Application Programming Interface ("API") platform. With the roll-out of our own developer portal, Connect2OCBC, external software developers are now able to integrate OCBC Bank's products and services into their applications to create a better and broader experience for end users. We were also the first bank in Southeast Asia to pilot the use of blockchain technology to complete local and cross-border payment funds transfer services. Following the launch of our new fintech unit, *The Open Vault at OCBC*, in 2016, we will continue to explore new digital opportunities and collaborate with many fintech start-ups to develop ideas and solutions for the financial services industry. Our initiatives complement and support the Singapore government's Smart Nation initiative and the Monetary Authority of Singapore's vision of a Smart Financial Centre.

OCBC will continue to invest in building a robust technology infrastructure with enhanced resilience and security to better safeguard the confidentiality, integrity and availability of customer information. In particular, we recognise that robust cyber security capabilities are necessary as digitalisation grows. We will also leverage on technology to drive productivity and efficiency of the Group.

Committed to Highest Standards of Corporate Governance

The Board of Directors is fully committed to upholding the highest standards of corporate governance. Strong governance, underpinned by our corporate values of integrity, fair dealing, responsible financing and prudent risk-taking, is the important foundation of OCBC's long-term success. This includes maintaining the highest moral and professional standards towards all customers, treating them with respect and integrity, always dealing with them in a fair and professional manner, and ensuring that we act in their best interests.

Letter from Chairman and CEO

OCBC Bank clinched a record 1,597 awards at the 2016 Excellent Service Awards (EXSA), organised by the Association of Banks in Singapore. For the second consecutive year, OCBC Bank received the highest number of honours among firms in the financial sector in the EXSA Awards, which recognise individuals who have demonstrated exceptional service standards.

Our Board possesses a deep and balanced mix of varied skills, well-rounded experience, and diverse backgrounds, age and gender. This breadth and diversity enabled the Board to provide guidance on the strategic direction of OCBC and effectively engage management to ensure that the interests of all our stakeholders are safeguarded. We are pleased that the OCBC Board was named the Best Managed Board (Market Cap of S$1 billion & above) – Gold award at the *Singapore Corporate Awards 2016*. OCBC was also selected by *The Asian Banker* as the Best Managed Bank both in Singapore and in the Asia Pacific. We were especially honoured that Bank OCBC NISP's corporate governance efforts were also recognised when it was awarded The Best Responsibilities of the Board and Top 50 Public Listed Companies by the *Indonesian Institute for Corporate Directorship.*

OCBC recognises that promoting long-term sustainable development is fundamental to our continuing success. In this regard, we are committed to conducting our business in a responsible manner and are working towards disclosing our sustainability commitments and practices in accordance with the Singapore Exchange ("SGX") Listing Rules 711A and 711B. Responsible financing is an important part of our sustainability practice, and we are committed to advancing environmental and social development in the markets we operate in. Specifically, we will not engage in or knowingly finance any activity where there is clear evidence of immitigable adverse impact to the environment, people or communities. Our Responsible Financing Framework sets out our overall approach to integrate environmental, social and governance ("ESG") considerations into our credit evaluation and risk decisioning process. We will take a risk-based approach towards managing ESG risk where transactions that are of high ESG risks will be subject to enhanced evaluation and approval requirements. Relevant supporting ESG policy and risk assessment tools are already in place for progressive implementation within the Group and our subsidiaries in 2017. Additionally, we seek to positively influence our customers' behaviours by engaging them in adopting appropriate sustainable practices. At a minimum, we expect our customers to meet all local ESG laws and regulations, and that they will meet higher ESG industry expectations over time.

Building Long-lasting Community Relationships

At OCBC, we are committed to corporate social responsibility ("CSR") and are dedicated to giving back to the communities which have long supported our success. Through donations, sponsorships and community investments, we have actively supported many causes in our core markets of Singapore, Malaysia, Indonesia and Greater China, with a special emphasis on nurturing children and the youth, and supporting their education. We are deeply appreciative that our employees share our philosophy, generosity and passion for a good cause. We have the pleasure of providing a comprehensive report detailing our broad range of activities in 2016 in the CSR section of the Annual Report.

Highly Engaged Employees Drive Success

Being an employer of choice is a hallmark of our ongoing success. We are strongly dedicated to investing in our people's careers and are committed to providing them with the resources and an inclusive environment in which they can strive for excellence and achieve their goals. Indeed, our high levels of employee engagement were recognised by *Aon Hewitt* when OCBC Bank was named one of the Best Employers 2016 in both Singapore and Malaysia, and named the Most Attractive Employer 2016 (Banking & Financial Services Sector) in the *Randstad Awards*. We were also named as an Exemplary Employer for 2016 in Singapore by *Tripartite Alliance of Fair & Progressive Employment Practices* ("TAFEP"), a committee formed by members representing employers, unions and the Singapore government to promote greater awareness of fair and progressive employment practices.

As a strong believer of empowering our employees with skills for both their professional as well as personal development, we continued to invest in new learning and development programmes. These include the OCBC FutureReady Programme – which complements the Singapore government's SkillsFuture movement and allows our employees to up-skill, re-skill and upgrade themselves, and the Life Refresh@OCBC programme which is a holistic life-long learning programme for those aged 50 years and above to keep abreast of the latest developments in areas such as digital and financial technology, financial planning, career planning, health and fitness. We also launched new initiatives to provide our employees with a wider range of career development opportunities within the OCBC Group. To further support our employees and their families, we launched a financial assistance scheme in Singapore and Malaysia to aid employees facing sudden and unforeseen financial difficulties.

Looking Ahead

Global growth showed signs of improvement towards the latter part of 2016 with the revival of growth gathering some strength as we entered 2017. However, an unfolding and rapidly changing global and political landscape has given rise to uncertainties for the global and regional outlook. At the time of writing this letter, there are many questions surrounding the shift in policy stance of the new United States administration. The dramatic change in policy direction, in particular the degree of implementation of protectionist measures and the speed of re-arrangement of established multi-lateral trade and financial agreements are expected to have significant consequences and will likely reshape the global and Asian economic prospect on the downside. In Europe, economic, trade and financial arrangements will be tested with Brexit while the possible revival of nationalistic agenda in the electoral process during the year in many European Union countries could reorder substantially the political and financial agenda in the European Union with unpredictable outcome for the monetary union and may impact global financial stability. In Asia Pacific, trade and geopolitical tensions between the continents and across the region may negatively impact regional trade, investment and capital flows. Despite the many uncertainties and possible setbacks, monetary policy in the major economies is moving towards normalisation. While interest rates in the United States are set to rise, global monetary conditions are expected to remain supportive of growth. A positive development is that commodity prices, including oil and gas, have stabilised and made some recovery.

Asia is expected to remain a region of rapid growth. In our core markets, the economic transformation in China is progressing and with greater stability. Indonesia's growth outlook remains positive and in our home base, the medium and long-term agenda for sustaining Singapore's future economic growth has been set in motion, with the sizeable commitment of resources to support the strategies of the Committee on the Future Economy. Deeper Asian regional integration will continue to support cross-border trade, investment and capital flows while wealth management and wealth creation in Asia remain promising. We will continue to take advantage of the opportunities available given our unique and diversified franchise in Asia. At the same time, we will be mindful of the possible unpredictable events in an uncertain global environment and remain vigilant to unexpected risks that may emerge by strengthening our risk management process and governance framework. We remain confident that our continued focus on balanced growth, effective risk management practices, diversified markets and products, and proper client selection anchored by a solid balance sheet and ample capital, will not only enable us to adapt quickly to cyclical and structural forces, but also place us in a favourable position to capitalise on new market opportunities as and when they emerge. We remain focused on our long-term strategic direction and plans, and will continue to prudently strengthen our diversified franchise, invest in new technology and capabilities, and leverage on our strong connected network in Asia to better serve our customers and pursue growth. At the same time, we will continue to develop our human capital and remain committed to further deepening our relationships with our customers.

Acknowledgements

Dr Cheong Choong Kong, who served as our Chairman from July 2003 to August 2014, retired as a Board member on 22 April 2016. On behalf of the Board, we wish to express our heartfelt gratitude to Dr Cheong for his vision, leadership and invaluable contribution to the OCBC Group. Our thanks also go to our fellow Board colleagues for their valuable input and guidance. In addition, we would like to take the opportunity to acknowledge the Monetary Authority of Singapore and the respective regulators in all the countries we operate in for fostering a sound and progressive financial system. To our management and employees, we commend you for your teamwork and continuous dedication in building a strong OCBC franchise. Our deep appreciation also goes to our loyal customers for your continued trust and confidence in us, and we likewise remain committed to supporting you. Finally, to our steadfast shareholders, thank you for your support.

Ooi Sang Kuang
Chairman
14 February 2017

Samuel N. Tsien
Group Chief Executive Officer

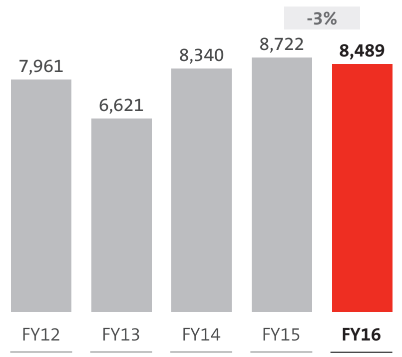
Financial Highlights

Group Five-Year Financial Summary

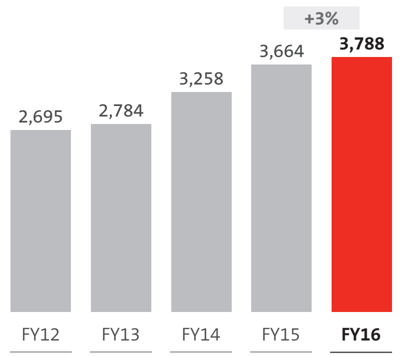
Financial year ended 31 December	**2016**	2015	2014	2013	2012
Income statements (S$ million)					
Total income	**8,489**	8,722	8,340	6,621	7,961
Operating expenses	**3,788**	3,664	3,258	2,784	2,695
Operating profit	**4,701**	5,058	5,082	3,837	5,266
Amortisation of intangible assets	**96**	98	74	58	60
Allowances for loans and impairment of other assets	**726**	488	357	266	271
Profit before tax	**4,275**	4,825	4,763	3,567	4,962
Profit attributable to equity holders of the Bank	**3,473**	3,903	3,842	2,768	3,993
Cash basis profit attributable to equity holders of the Bank (1)	**3,569**	4,001	3,916	2,826	4,053
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**216,830**	208,218	207,535	167,854	142,376
Non-bank customer deposits	**261,486**	246,277	245,519	195,974	165,139
Total assets	**409,884**	390,190	401,226	338,448	295,943
Assets, excluding life assurance fund investment assets	**347,911**	333,207	343,940	285,043	243,672
Total liabilities	**370,242**	353,079	367,041	310,369	267,242
Ordinary shareholders' equity	**35,507**	33,053	29,701	23,720	22,909
Total equity attributable to the Bank's shareholders	**37,007**	34,553	31,097	25,115	25,804
Per ordinary share					
Basic earnings (cents) (2)	**82.2**	95.3	102.5	75.9	110.0
Cash earnings (cents) (1) (2)	**84.5**	97.6	104.5	77.6	111.7
Net interim and final dividend (cents) (3)	**36.0**	36.0	36.0	34.0	33.0
Net asset value (S$) (2)					
Before valuation surplus	**8.49**	8.03	7.46	6.99	6.79
After valuation surplus	**10.03**	9.59	9.53	8.25	7.92
Ratios (%)					
Return on ordinary shareholders' equity	**10.0**	12.3	14.8	11.6	17.9
Return on assets (4)	**1.03**	1.14	1.23	1.05	1.69
Dividend cover (times)	**2.27**	2.62	2.81	2.29	3.42
Cost to income	**44.6**	42.0	39.1	42.0	33.8
Capital adequacy ratio (5)					
Common Equity Tier 1	**14.7**	14.8	13.8	14.5	na
Tier 1	**15.1**	14.8	13.8	14.5	16.6
Total	**17.1**	16.8	15.9	16.3	18.5

(1) Excludes amortisation of intangible assets.
(2) Per ordinary share data for financial years prior to 2014 were after adjustment following completion of the one for eight rights issue on 26 September 2014.
(3) The Group's dividends are on a tax exempt basis.
(4) The computation of return on average assets does not include life assurance fund investment assets.
(5) The Group's capital adequacy ratios were computed based on MAS' transitional Basel III rules for 2013 to 2016.
2012 capital adequacy ratios were computed under the Basel II framework, in accordance with the then prevailing MAS Notice 637 to Banks.
(6) "na" denotes not applicable.

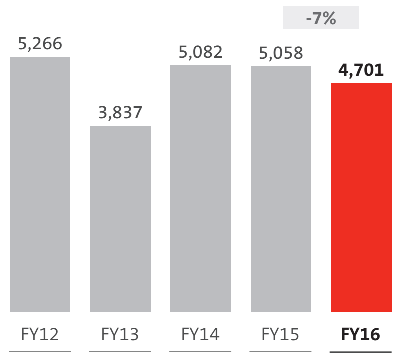
Total Income
(S$ million)



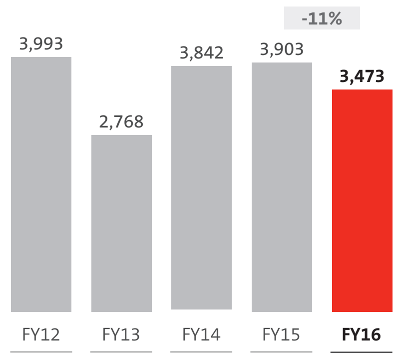
Operating Expenses
(S$ million)



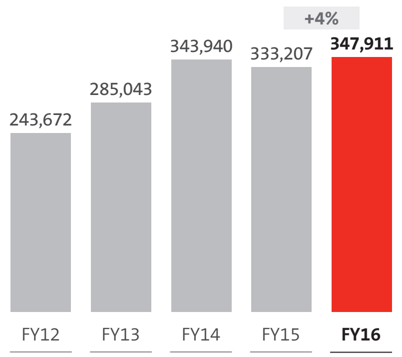
Operating Profit
(S$ million)



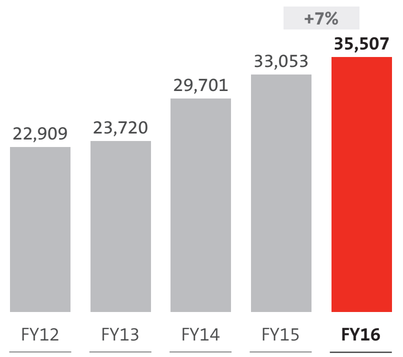
Profit Attributable to Equity Holders of the Bank (S$ million)



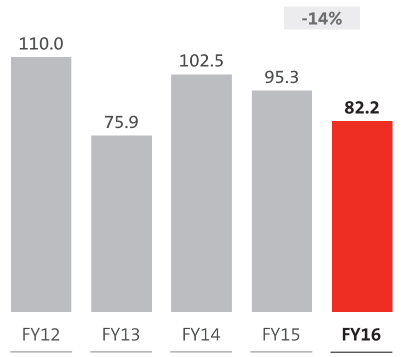
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



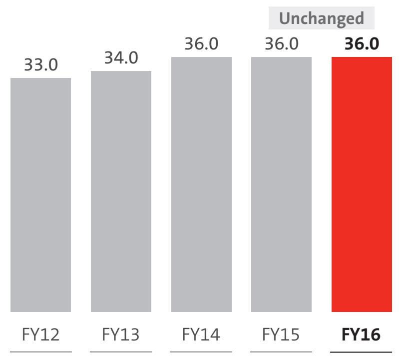
Ordinary Shareholders' Equity
(S$ million)



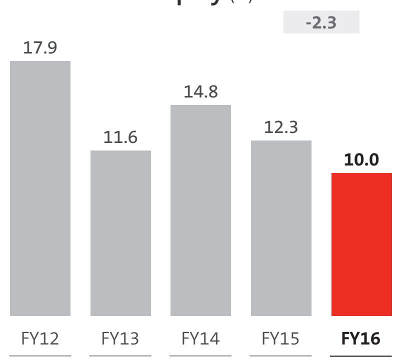
Basic Earnings Per Share
(cents)



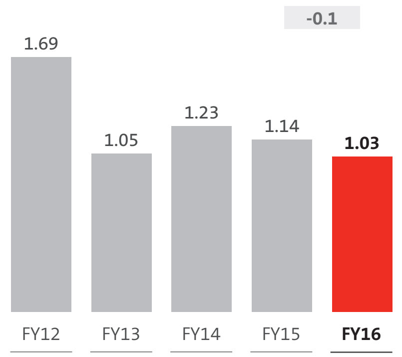
Net Dividend Per Share
(cents)



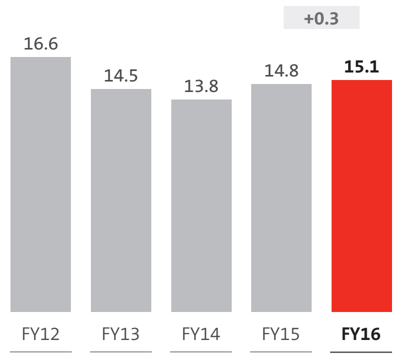
Return on Ordinary Shareholders' Equity (%)



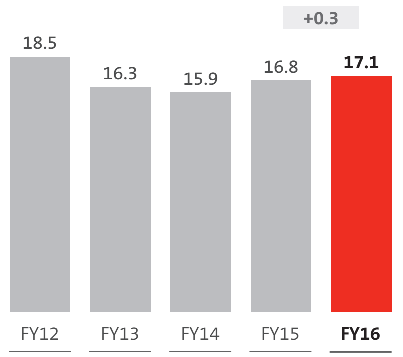
Return on Assets
(%)



Tier 1 CAR
(%)



Total CAR
(%)



Board of Directors

Mr Ooi Sang Kuang
Chairman
Independent director

Mr Ooi was first appointed to the Board on 21 February 2012 and last re-elected as a Director on 28 April 2015. He assumed the role of Chairman on 1 September 2014. He was Special Advisor in Bank Negara Malaysia until he retired on 31 December 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of Bank Negara Malaysia, from 2002 to 2010. Age 69.

Current Directorships (and Appointments)
OCBC Bank (Malaysia) Berhad, Chairman • OCBC Al-Amin Bank Berhad, Chairman • OCBC Management Services Pte Ltd, Director • OCBC Wing Hang Bank Ltd, Director • Cagamas Berhad, Chairman • Cagamas Holdings Berhad, Chairman • Cagamas MBS Berhad, Chairman • Cagamas SRP Berhad, Chairman • Xeraya Capital Labuan Ltd, Chairman • Xeraya Capital Sendirian Berhad, Chairman • Target Value Fund, Director • Financial Services Talent Council, Council Member

Directorships (and Appointments) for the past 3 years
Cagamas MGP Berhad, Chairman • Malaysian Electronic Clearing Corporation Sendirian Berhad, Chairman

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

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

Length of Service as a Director
5 years 1 month

Mr Lai Teck Poh
Independent director

Mr Lai was first appointed to the Board on 1 June 2010 and last re-appointed as a Director on 22 April 2016. He served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations and Head of Risk Management. He was Head, Group Audit prior to retiring in April 2010. Before joining OCBC Bank, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had served stints with Citibank N.A. in Jakarta, New York and London. Age 72.

Current Directorships (and Appointments)
AV Jennings Ltd*, Director • OCBC Al-Amin Bank Berhad, Director • OCBC Bank (Malaysia) Berhad, Director • PT Bank OCBC NISP Tbk*, Commissioner
** Listed companies*

Directorships (and Appointments) for the past 3 years
WBL Corporation Ltd, 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
6 years 10 months

Dr Lee Tih Shih
Non-executive and non-independent director

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 28 April 2015. He is presently an Associate Professor at the Duke-NUS Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore. Age 53.

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

Directorships (and Appointments) for the past 3 years
Nil

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

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

Length of Service as a Director
14 years

Ms Christina Ong
Independent director

Ms Ong was appointed to the Board on 15 February 2016 and elected as a Director on 22 April 2016. She is Co-Chairman and Senior Partner of Allen & Gledhill LLP as well as the Co-Head of its Financial Services Department. Ms Ong is a lawyer and she provides corporate and corporate regulatory and compliance advice, particularly to listed companies. Her areas of practice include banking and securities. Age 65.

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

Directorships (and Appointments) for the past 3 years
Nil

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

OCBC Board Committee Served On
Member, Audit Committee

Length of Service as a Director
1 year 2 months

Mr Quah Wee Ghee
Independent director

Mr Quah was first appointed to the Board on 9 January 2012 and last re-elected as a Director on 28 April 2015. He was the Chairman of the Government of Singapore Investment Corporation Pte Ltd (GIC)'s India and Natural Resources Business Groups and Advisor to the GIC's Executive Committee. He was also the Managing Director and President of GIC Asset Management Pte Ltd from 2007 to 2011. Age 56.

Current Directorships (and Appointments)
Avanda LLP Singapore, Partner/Managing Member • Avanda Investment Management Pte Ltd, Executive Director • Bank of Singapore Ltd, Director • Cypress Holdings Pte Ltd, Director • EDBI Pte Ltd, Director • Grand Alpine Enterprise Ltd, Director • The Great Eastern Life Assurance Co Ltd, Director • The Overseas Assurance Corporation Ltd, Director • Ministry of Health Holdings Pte Ltd | Investment and Evaluation Committee, Chairman • Wah Hin & Company (Pte) Ltd | Investment Committee, Advisor

Directorships (and Appointments) for the past 3 years
Government of Singapore Investment Corporation Pte Ltd | Investment Board, Chairman • Singapore Exchange Ltd, Director • Singapore Labour Foundation, Director • SLF Strategic Advisers Pte Ltd, Director • Singapore University of Technology and Design | Board of Trustees, 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
Member, Risk Management Committee

Length of Service as a Director
5 years 3 months

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 22 April 2016. He has been with PT Bank OCBC NISP Tbk for 23 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Age 54.

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

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

Academic and Professional Qualifications
Bachelor of Science (Finance & Banking), San Francisco State University
Master of Business Administration (Banking), Golden Gate University, San Francisco
Participant in Special Programs in International Relations, International University of Japan

OCBC Board Committee Served On
Member, Risk Management Committee

Length of Service as a Director
11 years 10 months

Mr Tan Ngiap Joo
Independent director

Mr Tan was first appointed to the Board on 2 September 2013 and last re-elected as a Director on 22 April 2016. He had a long career of 37 years as a banker. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia and postings overseas prior to joining the OCBC Group in August 1990, where he held senior positions over the years, including Chief Executive of OCBC's Australian operations, and Head, Group Business Banking and was appointed Deputy President in December 2001. He retired in December 2007. Age 71.

Current Directorships (and Appointments)
Banking Computer Services Pte Ltd, Chairman • Mapletree India China Fund Ltd | Investment Committee, Chairman • United Engineers Ltd*, Chairman • BCS Information Systems Pte Ltd, Director • China Fishery Group Ltd*, Director • Mapletree Logistics Trust Management Ltd, Director • OCBC Al-Amin Bank Berhad , Director • OCBC Bank (Malaysia) Berhad, Director
** Listed companies*

Directorships (and Appointments) for the past 3 years
Tan Chong International Ltd, Director • Breast Cancer Foundation | Executive Committee , Member

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

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

Length of Service as a Director
3 years 7 months

Dr Teh Kok Peng
Independent director

Dr Teh was first appointed to the Board on 1 August 2011 and last re-elected as a Director on 22 April 2016. He was the President of GIC Special Investments Pte Ltd, the private equity arm of Government of Singapore Investment Corporation Pte Ltd (GIC). Prior to this, he was concurrently Deputy Managing Director of the Monetary Authority of Singapore and Deputy Managing Director of GIC. He began his career at the World Bank under the Young Professionals Program in Washington DC. Age 69.

Current Directorships (and Appointments)
Astrea III Pte Ltd, Chairman • Azalea Asset Management Pte Ltd, Chairman • Dwell Capital Ltd, Chairman • Fullerton Healthcare Corporation Ltd, Director • Sembcorp Industries Ltd*, Director • Taikang Life Insurance Co Ltd, China, Director • China International Capital Corporation Ltd*, Senior Adviser • Jasper Ridge Partners, Senior Adviser • CM Capital (Palo Alto, California), Board Member and Member of Advisory Board • National University of Singapore | Board of Trustees, Member | Singapore Management Board of the East Asian Institute, Member • Temasek Foundation Connects CLG Limited, Member of Advisory Council • The Trilateral Commission, Member
** Listed companies*

Directorships (and Appointments) for the past 3 years
Ascendas Pte Ltd, Chairman • Asia Private Equity Institute, Singapore Management University | Advisory Committee, Chairman

Academic and Professional Qualifications
First Class Honours in Economics, La Trobe University, Melbourne
Doctorate in Economics, Nuffield College, Oxford University, England
Advanced Management Program, Harvard Business School

OCBC Board Committee Served On
Member, Remuneration Committee

Length of Service as a Director
5 years 8 months

Mr Samuel N. Tsien

Group Chief Executive Officer
Executive and non-independent director

Mr Tsien was appointed to the Board on 13 February 2014 and elected as a Director on 24 April 2014. 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 39 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 62.

Current Directorships (and Appointments)
OCBC Wing Hang Bank (China) Ltd, Chairman • PT Bank OCBC NISP Tbk*, Commissioner • Asean Finance Corporation Ltd, Director • Bank of Singapore Ltd, Director • Dr Goh Keng Swee Scholarship Fund, Director • Great Eastern Holdings Ltd*, Director • Mapletree Investments Pte Ltd, Director • OCBC Al-Amin Bank Berhad, Director • OCBC Bank (Malaysia) Berhad, Director • OCBC Overseas Investments Pte Ltd, Director • OCBC Wing Hang Bank Ltd, Director • Association of Banks in Singapore, Council Member • The Institute of Banking & Finance, Council Member • Advisory Board of the Asian Financial Leaders Programme, Member • Asian Pacific Bankers Club, Member • Financial Sector Tripartite Committee, Member • Malaysia-Singapore Business Council, Member • MAS Financial Centre Advisory Panel , Member and Chairman of the China Workgroup • MAS Financial Sector Development Fund Advisory Committee, Member

** Listed companies*

Directorships (and Appointments) for the past 3 years
Mapletree Commercial Trust Management Ltd, Director • SIB Capital Ltd (in members' voluntary liquidation), Director • ABS Benchmarks Administration Co Pte Ltd | Oversight Committee, Member • Singapore Business Federation | Finance & Investment Committee, Council Member • Advisory Council on Community Relations in Defence (ACCORD) (Employer & Business), 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
3 years 2 months

Mr Wee Joo Yeow

Independent director

Mr Wee was appointed to the Board on 2 January 2014 and elected as a Director on 24 April 2014. 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 69.

Current Directorships (and Appointments)
Frasers Centrepoint Ltd*, Director • Great Eastern Holdings Ltd*, Director • Mapletree Industrial Trust Management Ltd, Director • OCBC Management Services Pte Ltd, Director • PACC Offshore Services Holdings Ltd*, Director • WJY Holdings Pte Ltd, Director • WTT Investments Pte Ltd , Director

** Listed companies*

Directorships (and Appointments) for the past 3 years
Nil

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

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

Length of Service as a Director
3 years 3 months

Management Committee

Seated left to right

Mr Peter Yeoh Group Secretariat | **Mr Dennis Tan** Consumer Financial Services Singapore | **Ms Loretta Yuen** Group Legal and Regulatory Compliance
Mr Ching Wei Hong Chief Operating Officer | **Mr Jason Ho** Group Human Resources | **Mr Samuel N. Tsien** Group Chief Executive Officer

Standing left to right

Mr Vincent Soh Group Property Management | **Ms Goh Chin Yee** Group Audit | **Mr Gan Kok Kim** Global Investment Banking
Ms Elaine Lam Global Corporate Banking | **Mr Lim Khiang Tong** Group Operations and Technology | **Mr Neo Bock Cheng** Global Transaction Banking

Seated left to right

Mr Lam Kun Kin Global Treasury and Investment Banking | **Mr Darren Tan** Chief Financial Officer | **Mr Bahren Shaari** CEO, Bank of Singapore
Ms Kng Hwee Tin CEO, OCBC Wing Hank Bank (China) | **Mr Tan Chor Sen** Global Enterprise Banking - International

Standing left to right

Mr Vincent Choo Group Risk Management | **Mr Linus Goh** Global Commercial Banking | **Mrs Teng Soon Lang** Group Quality and Service Excellence
Ms Koh Ching Ching Group Corporate Communications | **Mr Na Wu Beng** CEO, OCBC Wing Hang Bank | **Ms Parwati Surjaudaja** President Director and CEO, Bank OCBC NISP | **Mr Ong Eng Bin** CEO, OCBC Bank Malaysia | **Mr Tan Wing Ming** Regional General Manager for North East Asia

Strategy & Capital Committee Members

The members of the Strategy & Capital Committee are also members of OCBC Bank's Management Committee

Mr Samuel N. Tsien

Group Chief Executive Officer

Mr Samuel N. Tsien was appointed to the Board on 13 February 2014 and elected as a Director on 24 April 2014. 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 39 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles. Age 62.

Mr Ching Wei Hong

Chief Operating Officer

Mr Ching Wei Hong was appointed Chief Operating Officer ("COO") on 15 April 2012 and is also currently the Chairman of Bank of Singapore and OCBC Securities as well as Deputy Chairman of Lion Global Investors.
In his capacity as COO of OCBC Bank, he is responsible for the Global Wealth Management and Consumer division, focusing on building the OCBC Group's consumer banking franchise and wealth management business in its key markets in Asia. Mr Ching also oversees Group Customer Experience and OCBC Bank's fintech and innovation unit, *The Open Vault at OCBC*. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 30 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd.
He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 57.

Mr Darren Tan

Chief Financial Officer

Mr Darren Tan was appointed Executive Vice President and Chief Financial Officer ("CFO") in December 2011. As CFO, he oversees financial, regulatory and management accounting, treasury financial control, corporate treasury, funding and capital management, corporate planning and development and investor relations.
He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years in the Government of Singapore Investment Corporation ("GIC") with his last position in GIC as Head of Money Markets. Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University, and he is a Chartered Financial Analyst and a Fellow Chartered Accountant of Singapore. Age 46.

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 54.

Mr Linus Goh

Global Commercial Banking

Mr Linus Goh was appointed the Head of Global Commercial Banking in April 2012. In this capacity, he has global responsibility for OCBC Bank's commercial, institutional and transaction banking businesses. He joined OCBC Bank in April 2004 as Executive Vice President and Head of International, and in August 2008, he assumed responsibility for Global Enterprise Banking and Financial Institutions. Mr Goh has over 30 years of banking experience, including 17 years at Citibank, N.A. Singapore, where he held several senior management positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh serves as a board member of the Singapore Totalisator Board and of the Growth Enterprise Fund and SPRING SEEDS Capital under SPRING Singapore. He is a member of the Pro-Enterprise Panel under the Ministry of Trade and Industry and the SME Committee under the Singapore Business Federation where he chairs the sub-committee on SME Financing. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore and is an IBF Distinguished Fellow. Age 54.

Mr Jason Ho

Group Human Resources

Mr Jason Ho joined OCBC Bank in January 2013 as Senior Vice President and Head of Asset Liability Management. He assumed the role of Head of Group Human Resources in July 2015, following his appointment as Deputy Head, effective January 2015. He has 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 Australia's Macquarie University. He also serves as a Director of The Institute of HR Professionals and is a member of the HR Sectoral Tripartite Committee and IBF Future-Enabled Skills Workgroup. Age 54.

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' ("FICS") Corporate Banking Working Group. Ms Lam holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University, Singapore and is an IBF Fellow (Corporate Banking). Age 45.

Mr Lam Kun Kin

Global Treasury and Investment Banking

Mr Lam Kun Kin was appointed Head of Global Treasury in January 2007 and Senior Executive Vice President in April 2011. He has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia, Hong Kong, China and seven other overseas centres. Since February 2012, he has had the additional responsibility of overseeing the Bank's Global Investment Banking division covering capital markets, corporate finance and mezzanine capital business. Mr Lam has more than 30 years of banking and investment management experience covering global fund management, global markets sales & trading, global investment banking and Asian financial market businesses. Currently, he serves on the boards of Bank of Singapore, OCBC Securities, AVIC Trust and on Great Eastern Group's Asset and Liability Committee and the Goverment 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 Singapore Institute of Directors. Age 54.

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 26 years of management experience in strategic technology development, information technology and banking operations. This includes driving the 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 Services divisions. He holds a Bachelor of Science (Computer Science & Economics) from the National University of Singapore. Age 56.

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
DOMINANT market position at home

INDONESIA
ONE OF TOP 10 national banks

MALAYSIA
TOP FOREIGN BANK with combined strengths of conventional and Islamic banking franchise

GREATER CHINA
STRONG PRESENCE with dominance in cross-border trade, wealth and capital flows

CORE BUSINESSES

RETAIL & COMMERCIAL BANKING	WEALTH MANAGEMENT	INSURANCE
Service Distinction and Regional Platform, with Cash Management, Trade, Treasury & Investment Banking capabilities across Network & Key Geographies for consumers, businesses and FIs / NBFIs.	"**Asia's Global Private Bank**". Regional Premier Platform. Integrated model across private banking, premier banking, bancassurance, securities and asset management.	Deepen insurance penetration in Singapore and Malaysia, build presence in Indonesia, revamp model in Greater China.

CORE COMPETENCIES

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

SUSTAINABLE BUSINESS PRACTICES

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

Well-positioned to ride on KEY GLOBAL MEGA TRENDS shaping Asia's growth

Rising Asian Wealth	Increasing Intra-Asia Trade & Cross-Border Capital Flows	Dominance of China – Capital Account, RMB Internationalisation, One Belt One Road	Urbanisation and Continued Rise of SMEs in Asia	Formation of Economic Blocs and New Policy Banks	Digital Disruption, Cyber Threats and New Technologies

Operations Review

Our performance in 2016 underscored the strength of our diversified banking, wealth management and insurance franchise which has allowed us to deliver balanced and consistent growth across economic cycles. We achieved a resilient set of results and strengthened our balance sheet while maintaining prudent risk management practices. Our capital, funding and liquidity position remained sound. We were focused on maximising customer satisfaction and continued to deliver high-quality service and innovative products across all channels. By strengthening the Group's network presence, we improved our capabilities to further connect our customers with opportunities at home and abroad. We remained firmly committed to upholding the highest standards of corporate governance, deepening our community support programmes and investing in our people's careers.

Global Consumer Financial Services

Despite the weaker economic conditions, our consumer banking business performed well with a 5% increase in income and a 10% increase in pre-tax profits. Consumer loans and home loans grew by 7%. Total deposits grew 7%, underpinned by a 14% rise in current and savings accounts deposits. Wealth management fees and commissions in our core Singapore market grew 3% due to strong sales of a broad range of investment products backed by superior advisory services delivered by our integrated wealth platform. Bancassurance continued to be a strong product category, closing the last quarter with record sales.

We continued to deepen our engagement with customers across segments. Our OCBC Premier Banking customer base saw an increase of 10% in Singapore and 15% in Malaysia, while total assets under management ("AUM") in these markets increased by 13%.

We remained the leading Baby Bonus Bank with 65% of all new Child Development Accounts opened with us. In terms of overall market share, we serve eight out of 10 Child Development Accounts. Our leadership in this segment is due largely to our ability to provide a comprehensive proposition that facilitates a seamless progression to our Mighty Savers programme. The programme effectively serves the needs of families with young children with relevant deposit and insurance products.

FRANK by OCBC, our banking programme tailored for youths and young working adults in Singapore, continued to garner strong demand. Our market penetration among youths aged 16 to 29 grew with one in every two youths having at least one OCBC Bank or FRANK by OCBC product. FRANK by OCBC's unique proposition, which equips youths with financial knowledge and tailored promotions involving investment and insurance products, resonated with the target audience. The number of FRANK by OCBC customers who bought investment products increased by 10% in 2016.

In May 2016, we rolled out FRANKpreneurship, an innovative internship programme that aims to tap the entrepreneurial spirit of millennials by having them develop banking solutions for their contemporaries. The programme brought together 24 university students from Singapore Management University, National University of Singapore and Nanyang Technological University for a six-month internship where they experienced working in different banking functions. Senior members of the bank were assigned as mentors to the students.

We expanded the OCBC Wealth Panel, bringing on board additional wealth experts from across the Group, including Bank of Singapore and Lion Global Investors. The OCBC Wealth Panel is dedicated to providing timely insights and advice to our OCBC Premier and Personal Banking customers, helping them to achieve their financial goals and aspirations. Our Wealth Panel members were among the industry experts who shared their views on economic and political challenges in Asia at the quarterly The Straits Times Global Outlook Forum. OCBC Premier Banking sponsored the Forum for the second year running.

The unique strengths of the OCBC Group go beyond the provision of superior advice. Drawing on the comprehensive wealth management expertise of OCBC Bank, Great Eastern Holdings, OCBC Securities, Lion Global Investors and Bank of Singapore, we were able to offer customers innovative financial products that met their needs. A notable product that demonstrates the Group's broad capabilities across asset classes is the Lion-Bank of Singapore Asian Income Fund launched in July 2016. The fund, which was made available to OCBC Premier Private Client customers with investible assets of more S$1 million, offers regular income from multiple sources including equity dividends, bond coupons and option premiums. It offers wealth growth opportunities while managing risks well.

In July 2016, we launched OCBC Life Goals, a programme aimed at helping customers achieve their financial goals using a structured and needs-based approach and

GLOBAL CONSUMER FINANCIAL SERVICES

10%

Increase in Pre-tax Profits

13%

Increase in OCBC Premier Banking Assets Under Management in Singapore and Malaysia

suitably customised products. In the areas of retirement, wealth transfer and children's education, customers are provided with the appropriate advisory and financial solutions, tailored to their risk appetites, to help them manage, safeguard, build and transfer their wealth.

Our deposit and card products continued to gain traction during the year. The customer base for the popular OCBC 360 Account grew 30%, with more than half of the new accounts opened by customers new to OCBC Bank. Our credit card spending volume grew 10%, outpacing the market growth rate of 5.9%. We launched the OCBC Premier World Elite MasterCard Debit Card in August 2016 to better recognise our Premier Banking customers with a full suite of exclusive benefits and privileges. The OCBC Titanium Rewards Credit Card was re-launched in October 2016, with a strengthened shopping proposition for all customer purchases, in-store and online, local and overseas.

We continued to cement our leadership in digital banking by using digital technologies to make day-to-day banking simpler and more accessible. We were the first to roll out several innovative digital solutions.

In March 2016, we were the first Singapore bank to launch an integrated wealth management app – OCBC OneWealth. The app provides easy access to the OCBC Wealth Panel members' views on key global market events and market insights that are intended to guide our customers in their decision-making process. Customers are able to view their portfolios on the go and conduct transactions such as buying and selling unit trusts. In addition, the app allows customers to actively monitor their unit trust investments by setting price alerts and receiving personalised alerts. Since its launch, the app has contributed to 15% of online unit trust sales.

We were the first in the Asia Pacific to enable customers to transfer funds securely through the expanded OCBC Pay Anyone payment service via Apple's iMessage platform, or by issuing a voice command to Siri, Apple's virtual assistant. Following the launch of OCBC OneTouch – Singapore's first biometric access service for banking – on the OCBC mobile banking app on Apple iPhones in April 2015, we were again the first to enable such a service on compatible Android smartphones in 2016. The convenience of accessing banking account information with the touch of a finger has resulted in our customers using the OCBC OneTouch feature more than 10 million times since its launch.

We were among the first in Singapore to launch the Apple Watch banking app, which enables customers to check their account balances, transactions and credit card details at a glance on their wrist devices. We rolled out mobile contactless payment technology with Apple Pay, Samsung Pay and Android Pay.

At the end of the Fintech Accelerator Programme supported by The Open Vault at OCBC, our fintech unit, three fintech start-ups were selected to pilot-test their solutions in the OCBC Group. One pilot test was rolled out in the consumer banking unit in November. The solution by Cognicor involved the use of artificial intelligence in the creation of a virtual customer service ambassador at our home loans and renovation loans webpages. This served as an alternative digital avenue for customers to obtain information about our home and renovation loans quickly, with real-time responses delivered through an instant messaging chat box on our website.

With an increase in the number of reports of people falling victim to scams, we continued training our staff on how to detect attempts to scam our customers and the advice they should provide to potential victims of fraud. We regularly disseminated advisories to our customers to share precautions they can take to protect themselves. Our frontline colleagues were successful in foiling a number of attempts to scam our customers.

We won the most number of awards at the annual *Association of Banks Excellent Service Awards* for the second consecutive year. We received the World Class Award at the *2016 Global Performance Excellence Awards*. The OCBC 360 Account won the Best Deposit Product of the Year at the *Asian Banker Excellence in Retail Financial Services Awards 2016*. OCBC's OneWealth app was awarded *Efma*'s Innovation of the Month Award in April 2016. We were named the Best Internet Bank in Singapore for 2016 by the *International Finance Magazine*, in recognition of the breakthroughs we continue to make as we innovate to enhance the banking experience for our customers.

Global Corporate Bank

Despite the challenging operating conditions, we remained focused on deepening market penetration in our key markets and delivering the benefits of the connectivity of our markets to our customers. Our onshore-offshore strategy continued to bear results.

We participated in several sizeable corporate banking transactions and continued to gain market share in our target growth markets. In Singapore, we were one of the lenders for an S$800 million club deal for Mapletree Commercial Trust to finance the acquisition of Mapletree Business City. We were a lender for the A$620 million (S$636.7 million) syndicated term and revolving loans to Frasers Logistics and Industrial Trust to finance the acquisition of the portfolio of industrial and logistics assets for its Initial Public Offering ("IPO") in June 2016. We were also one of the original mandated lead arrangers and bookrunners for a US$1.5 billion (S$2.07 billion) three-year and five-year syndicated revolving credit facility guaranteed by BOC Aviation Limited.

We acted as sole arranger and financial adviser for the voluntary conditional cash offer for all outstanding shares of Sim Lian Group, and we provided the financing for its privatisation exercise as well. The deal was the largest real estate merger & acquisition privatisation on the Singapore Exchange ("SGX") in 2016 amid increasing take-private transactions last year.

In Indonesia, we were one of the initial mandated lead arrangers for a US$3.4 billion (S$4.7 billion) facility to PT Bhimasena Power. This was to finance a 22-year project for a 2 x 1,000 megawatt power plant in Central Java, Indonesia.

We strengthened our position in Hong Kong property financing through our participation in several landmark transactions. This included a HK$6 billion (S$1.07 billion) five-year syndicated loan to Ventures Smart of the Wheelock Group to finance the development of a residential property project in Lohas Park (Phase 7) in Tseung Kwan O and a HK$4.5 billion (S$801.8 million) five-year syndicated loan to FRT Finance (HK) Limited of the HKSE-listed and SGX-listed Fortune REIT. We participated in a HK$11.3 billion (S$2.01 billion) multi-tenure syndicated loan to CP Finance/CP Success of the HKSE-listed Champion REIT, which owns the Three Garden Road in Hong Kong.

We made progress in growing our Myanmar franchise and were involved in the financing of several projects across sectors. We were the joint arranger for a number of syndicated loans and club deals including the US$40.2 million (S$55.6 million) syndicated term loan to OCK Yangon. The deal was named the Best Syndicated Loan in Myanmar in *The Asset Triple-A Awards 2016*. We were the joint arranger for the US$55 million (S$76.1 million) club loan to finance Sule Square, a prime office and retail complex in downtown Yangon, and the US$30 million (S$41.5 million) financing of the construction of Junction City, one of Yangon's largest integrated retail, office and hotel complex.

Besides the success in supporting non-financial institution customers, we did well in assisting several of our key financial institution customers in raising senior and capital funding in the Singapore dollar, US dollar and offshore Renminbi bond markets. We led the inaugural bank capital issuance in the Singapore dollar bond market for National Australia Bank and Société Générale. We also worked with Bank of East Asia and Dah Sing Bank to refinance their outstanding capital issuances in the US dollar bond market via the issuance of 10NC5 Basel III-Compliant Tier 2 Subordinated Notes when a window of opportunity emerged in the fourth quarter.

On the small and medium-sized business ("SME") segment front, we continued to be a leading bank in our core markets of Singapore, Malaysia and Indonesia. Our strong SME franchise underpinned continued growth in our cash management business. Across the region, we made good headway in acquiring operating account relationships and increasing cross-sell for non-borrowing customers. Current account balances grew 7% with Indonesia achieving the highest growth rate, followed by Malaysia and Singapore, resulting in healthy growth in cash fee income.

In Singapore, we remain one of the key lenders in the various government-led SME support schemes, including the Venture Debt Programme introduced in January 2016. Through the programme, we have been able to provide an alternative form of financing to enterprises by supporting the working capital requirements, capital investment or expansion plans of fast-growing SMEs. Our dedicated teams at the business loan centres in Ubi and Bukit Batok are equipped to provide advice on government schemes such as the Enhanced Micro Loan and SME Working Capital Loan programmes.

In April 2016, we launched a business mobile banking app featuring biometric authentication access for information on account balances and transactions. The app has proven to be an essential tool for our customers to better manage their cash flow. 50% of our app users actively check their business account information regularly.

OCBC Bank was recognised as Asia's Best Bank for SMEs in the inaugural *Euromoney Awards for Excellence 2016*. We continued to be recognised as the Best SME Bank in Singapore by *Alpha Southeast Asia's Best Financial Institution Awards* for seven years and were named the ASEAN SME Bank of the Year in the *Asian Banking & Finance Retail Banking Awards* for the sixth consecutive year.

GLOBAL CORPORATE BANK

7%

Increase in Current Account Balances

GLOBAL TREASURY

54%

Contribution of Revenue by Overseas Treasury Centres

Global Treasury & Investment Banking

Our consistent efforts to serve the needs of a broad base of customers with relevant products supported revenue levels in a challenging year. The difficult market conditions we faced included lower gapping opportunities as a result of tighter spreads, de-risking in the market due to unexpected political developments and increasing uncertainty, as well as lower overall transaction volumes due to a reduction in customer requirements.

Treasury revenues continued to be earned from diversified sources, as our investment in improving treasury product penetration in core overseas markets like Indonesia and Hong Kong paid off. Our overseas treasury centres contributed a 54% share of our treasury revenue. With enhanced treasury capabilities established in OCBC Wing Hang, more treasury products were sold.

We continued to invest in upgrading and aligning our treasury infrastructure system, including that of OCBC Wing Hang, and improving our workflow processes. These efforts allowed us to meet more stringent reporting requirements by regulators in our local markets while equipping us to manage risks more comprehensively. We embarked on capital efficiency initiatives to further promote effective liquidity management and capital usage.

We continued to receive industry recognition for our excellent service, innovative products and expertise in our core Asian markets and various asset classes. In the *AsiaRisk Awards 2016*, we were named House of the Year (Singapore). We topped the *AsiaRisk Corporate Rankings 2016* and *Institutional Rankings 2016* for Singapore-dollar and Malaysian-ringgit interest rate products and currency products.

In the *Asiamoney FX poll 2016*, we were voted by financial institutions as the Best Domestic Provider of FX Services in Singapore. In the same poll, corporates voted us Best Domestic Provider of FX Services in the Singapore domestic FX providers category, and Best for Overall FX Services in the Malaysia foreign FX providers category. We were voted Best for FX Products & Services, Best for FX Options and Best for FX Research & Market Coverage in Singapore and Malaysia. In the Indonesia foreign FX providers category, we were voted best for FX Research & Market Coverage. We were named Best FX Bank for Corporates & Financial Institutions in Singapore from 2007 to 2016 by *Alpha Southeast Asia* in its *10th Anniversary Best Financial Institution Awards.*

Global Investment Banking

Investment banking revenue from customers outside Singapore contributed 70.9% of total revenue in 2016, up 18.1 percentage points from 52.8% in 2015.

In Singapore, our Capital Markets team ranked among the top two arrangers in the Bloomberg 2016 League Table for Singapore dollar bonds, raising S$2.79 billion and capturing a market share of 14.4%. Transaction highlights included National Australia Bank's ("NAB") S$450 million 12-year Non-Call 7-year Basel III-Compliant Tier 2 Subordinated Notes issue, for which we acted as the joint lead manager and bookrunner. This was NAB's debut Singapore dollar Tier 2 subordinated notes issue and our first bond mandate from NAB.

We were ranked among the top three in the Bloomberg 2016 League Table for Singaporean Borrower Loans with a market share of 8.9% or US$2.53 billion (S$3.5 billion) raised.

Our Singapore Corporate Finance team stepped up efforts to support clients in equity fund-raising and financial advisory transactions. We were joint bookrunner and underwriter for Frasers Logistics & Industrial Trust's IPO – one of the largest IPOs in 2016 with an offer size of S$903 million. We acted as financial advisor to C.K. Tang Limited for its mandatory general offer as well as to the Sim Lian Group for its S$1.1 billion voluntary conditional cash offer. We provided a full suite of financial advisory services to the Sim Lian Group, including financing their privatisation offer.

In the Malaysia debt capital market, OCBC Malaysia was ranked among the top two in the Bloomberg 2016 League Table for Malaysian ringgit bonds among locally incorporated foreign banks, successfully raising RM1.61 billion (S$537.8 million).

We were ranked among the top two arrangers in the Bloomberg 2016 League Table for Malaysian Borrowers with a market share of 13.1% or US$1.59 billion (S$2.2 billion) raised. Key accomplishments included acting as coordinating mandated lead arranger for the US$40.2 million (S$55.6 million) syndicated term loan facility for OCK Yangon. This was the first syndicated loan by onshore foreign banks in Myanmar since the country opened its financial sector to foreign banks in 2015. Our team successfully concluded the US$755 million (S$1.04 billion) limited recourse syndicated facilities for Bumi Armada, a deal which involved seven banks from Asia and North America.

In recognition of the lead role we undertook in various projects and structured finance transactions, we were named the Malaysia International Project Finance Bank of the Year in the *ABF Wholesale Banking Awards 2016*.

We made further progress in growing our Indonesian business. Notable deals included the US$725 million (S$1 billion) term loan facility for Indonesia Eximbank, for which we acted as mandated lead arranger and bookrunner. Our seventh deal with Indonesia Eximbank, the transaction demonstrated the confidence the policy bank placed in us. Our team under PT OCBC Sekuritas Indonesia continued to expand its capabilities in the Indonesian rupiah bond market and acted as joint lead underwriter and joint bookrunner for various deals. A milestone achievement by the team in Indonesia was winning a merger & acquisition mandate to represent a consortium of four sellers on the sale of a 22.3% stake in the longest toll road in the country. The stake was sold for IDR2.57 trillion (S$267.3 million), valuing it at more than three times book value. The team executed the entire sale process, including laying the groundwork, providing advice, building a network of buyers and negotiating with potential buyers.

In Greater China, we remained active in facilitating capital market transactions. A key achievement was being the only Singapore bank to be involved in the issuance of the Chongqing Nan'an Urban Construction & Development Senior Unsecured Fixed Rate Bonds, for which we acted as joint lead manager and bookrunner. Other significant transactions included a US$62.2 million (S$86 million) onshore facility, a RMB370.9 million (S$77.1 million) onshore facility and a HK$2.65 billion (S$472.2 million) offshore facility for Lai Fung Holdings. Lai Fung Holdings is the property development and investment arm of the Lai Fung Group in China. The ability to support Lai Fung's funding needs across different jurisdictions demonstrated the strong collaboration and seamless workflows established between our different market teams.

Our Mezzanine Capital Unit continued to manage the S$550 million Lion-OCBC Capital Asia Fund I, investing in SMEs in Singapore, Malaysia, Indonesia and China for institutional investors and high net worth individuals.

Group Operations & Technology

We completed 73 process re-engineering projects which yielded more than S$3.1 million in annualised savings across Singapore, Malaysia and Indonesia.

We continued to invest in our mobile technological capabilities, enabling the implementation of secure payments through OCBC Pay Anyone via Apple's Siri and iMessage, the OneTouch feature on Android phones following the earlier implementation for iPhones, and the OCBC OneWealth app.

We were the first bank in Southeast Asia to successfully pilot-use blockchain technology to complete local and cross-border funds transfer services, as well as launch an open Application Programming Interface ("API") platform. The platform, Connect2OCBC, allows developers to integrate our products and services into their online applications. These milestones are in line with the Singapore government's Smart Nation initiative, as well as with the Monetary Authority of Singapore's vision of building a Smart Financial Centre.

With cyber threats on the rise, we continued to invest in building a robust technology infrastructure, enhancing system resiliency and strengthening cyber defence capabilities across the OCBC Group.

Group Customer Experience

We continued to enhance our customers' experience across all product and service touch points, leveraging data analytics-driven insights, design-led thinking and service quality initiatives.

We closely monitored how customers experience our products and services and how well they are served across all customer touch-points. The insights were used to further simplify banking and improve our services. The deep understanding of our customers' needs and behaviours helped us develop products and services with superior value propositions, including the new Titanium Rewards Credit Card and OCBC Life Goals programme.

Our team of data scientists continued to leverage data insights to identify potential opportunities in the marketplace such as segments of customers that are currently underserved. The data was also used to predict potential future customer needs, helping us to customise our offers and their experiences.

Our experience design team continued to instill customer-centric design principles in the conceptualisation and design of many consumer banking initiatives and products. These included the Digital Investment Platform, OCBC OneWealth app and FRANK by OCBC financial literacy programme. Design-led thinking was constantly applied to Internet and mobile banking enhancements as part of the continuing digital transformation of the bank.

Our capabilities have been extended across the OCBC Group regionally. One result is that our research, data analytics and experience design teams work with subsidiaries such as Great Eastern Holdings, OCBC Securities and Bank of Singapore to help them better understand the profiles and behaviours of their customers, in order to create a differentiated customer experience.

Beyond customer-facing initiatives, the teams worked with departments such as Operations & Technology and Human Resources to redesign their user systems to become more employee-friendly and easy to use. Advanced analytical techniques allowed us to make better people decisions in areas such as recruitment, training and staff retention.

We won the Asia's Top Design Practices award at the *Singapore Design Awards 2016* and the Singapore Good Design Mark for our efforts in driving design thinking across all our customer touch points and products.

Group Quality & Service Excellence

We executed 10 cross-functional process improvement projects for OCBC Group entities across various markets. For example, we enhanced the credit approval process for our SME customers, offering them a uniform credit application experience across geographies to support their business growth.

Overall, these projects resulted in an improved customer experience for our customers across different segments and about S$30 million in potential margin improvements.

Our end-to-end anti-money laundering ("AML") processes were re-engineered, allowing us to manage money laundering risks more effectively while promoting the optimal use of resources needed for AML checks during customer onboarding and regular due diligence reviews.

To further build our capabilities in process improvement, we certified 53 employees as OCBC Quality Leaders, each earning the equivalent of the industry's lean Six Sigma green belt. We trained another 99 employees in Six Sigma competency, empowering them with skills to lead process improvement projects.

We launched a new programme, Quality First, to equip employees with simple tools that they can apply to improve business processes in their work areas. To date, more

GLOBAL INVESTMENT BANKING

70.9%

Contribution of Revenue from Customers outside Singapore

GROUP OPERATIONS & TECHNOLOGY

73

Process Re-engineering Projects Completed

than 50 employees have been trained under Quality First.

Group Human Resources

Our Group headcount was 29,792 at the end of 2016. Our annual Employee Engagement Survey, which was conducted for the 14th time in 2016, included employees from OCBC Wing Hang for the first time. Employee participation rate remained high at 98% and the overall employee engagement score for the Group was 72%, above the Global Financial Norm of 62%.

We take a long-term view of our employees. In keeping with this, we continued to invest in their personal and professional growth with new learning and development initiatives to acquire deeper skills. In March, we launched the OCBC FutureReady Programme, which complemented Singapore's SkillsFuture movement. This programme has two components. The first was a S$500 cash top-up for each permanent non-executive employee. The employee can choose from among 170 specially curated SkillsFuture Credit eligible courses, using the top-up to defray fees. The second component was a two-day roadshow to help employees familiarise themselves with the SkillsFuture Credit course catalogue.

In August, we introduced Life Refresh@ OCBC, designed to provide our employees aged 50 and older with the necessary resources to be future-ready. The holistic lifelong learning programme addresses areas such as digital and financial technology, financial planning, career planning, and health and fitness.

We achieved an average of 7.8 man-days of training per employee in 2016, underscoring the focus we placed on employee development. This is the 11th consecutive year that we have outperformed our annual target of five days.

Taking a long-term view of our employees also means providing them with career development opportunities within the organisation. During the year, we expanded our Internal Job Posting ("IJP") programme to include job vacancies at OCBC Wing Hang. We also launched the Xplore! Programme in Singapore, allowing employees to take on a different role within or across divisions for between four and six months to gain exposure and develop new competencies. We encourage learning throughout our employees' lives so that they can quickly and easily adapt to new job demands or switch jobs as the industry and economy transforms.

We recognised the exemplary efforts of outstanding staff through the launch of an expanded CEO Awards programme. This programme builds on the CEO Quality Award first introduced in 2004. Three award categories were added. The CEO Innovation Award celebrates employees who implemented fresh solutions or exemplified the entrepreneurial spirit, the CEO U Make a Difference Award recognises employees who made a meaningful difference to their colleagues beyond their work responsibilities, and the CEO #OCBCCares Award is given to employees who contributed exceptionally to the communities we serve in.

During these economically challenging times, we see the need to provide more support and help to employees. We introduced the interest-free Emergency Staff Loan in Singapore and Malaysia for employees who face personal financial hardship as a result of unforeseen circumstances.

We were named as a *Tripartite Alliance of Fair & Progressive Employment Practices* ("TAFEP") Exemplary Employer 2016. We were recognised as one of *Aon Hewitt's* Best Employers 2016 in Singapore and Malaysia, and were named the Most Attractive Employer 2016 (Banking & Financial Services Sector) in the *Randstad Awards* for the third time. We won the *2016 Institute of Banking and Finance* ("IBF") Inspire Award for fostering a dynamic learning culture at the workplace.

Key Subsidiaries And Partner Banks

OCBC Malaysia

OCBC Malaysia's net profit declined 8.5% to RM808 million (S$269.9 million) on the back of RM2.3 billion (S$768.2 million) in revenue. This reflected the challenging operating environment we faced, including the moderation in Malaysia's economic growth, exchange rate volatility and the weaker domestic currency. Total loans and advances decreased 1.6% to RM68.5 billion (S$22.09 billion) while deposits from customers decreased by 1.7% to RM72.2 billion (S$23.28 billion). In recognition of the continued strength of our franchise, RAM Rating Services Berhad reaffirmed our long- and short-term financial institution ratings at AAA and P1 respectively, with a stable outlook.

OCBC Malaysia remained one of the largest foreign banks in Malaysia by assets, deposits, loans and branch network. We had a total of 45 branches nationwide – 32 offering conventional banking and 13 Islamic banking – at the end of 2016. In July 2016, we commenced the upgrading of all five of our OCBC Al-Amin Xpres outlets into full-fledged Islamic banking branches. Three of these will be relocated to the Greater Klang Valley to support the fast-growing consumer and business segments in the area. The upgrading and relocation exercise is expected to be completed by the end of 2017.

During the year, we continued to expand on the range of services provided to our consumer banking customers. We introduced the OCBC OneTouch feature on our mobile banking app in May 2016, making us the first foreign bank in the country to enable customers to have a complete view of their banking, credit cards and investment balances via fingerprint authentication on their mobile phones. The service was well-received by customers, garnering about 12,000 sign-ups, and was used more than 220,000 times. In June 2016, we launched the OCBC Entertainer App which enabled digital-savvy customers to easily access about 350 different one-for-one merchant offers in

Malaysia and overseas. The app attracted more than 3,000 downloads.

We embarked on a collaborative effort with the Asian Banking School ("ABS") to develop a 13-module in-house training programme called the ABS-OCBC Wealth Management Programme. This was part of our efforts to strengthen the knowledge and competencies of our relationship managers amid the growing complexities of the wealth management landscape.

OCBC Malaysia remained active in the Malaysian capital markets. A notable transaction for the year was the issuance of the Public Sector Home Financing Board's maiden RM25 billion (S$8.35 billion) Government-Guaranteed Islamic Commercial Papers and Islamic Medium Term Notes Programmes, where we were joint lead manager. On the loan syndication front, we acted as mandated lead arranger for Palmindo Holdings Pte Ltd's US$200 million (S$276.6 million) financing scheme for its plantation assets in Indonesia. We structured a unique pairing of conventional and Islamic financing instruments that successfully addressed the customer's funding needs in this deal. Through the strong collaboration between the regional offices in Kuala Lumpur and Yangon, we successfully led and coordinated a US$40.2 million (S$55.6 million) financing initiative for OCK Yangon.

We earned a number of awards in 2016, including the Aon Best Employers Award for Malaysia from *Aon Hewitt*; the Malaysia International Project Finance Bank of the Year and SME Bank of the Year awards from *Asian Banking & Finance* ("ABF"); and the Best SME Bank (Treasury & Working Capital) Malaysia, Best SME Trade Finance Solution Malaysia and Best SME Cash Management Solution Malaysia Awards from *The Asset*. We were recognised for our strong treasury capabilities, coming in top for Ringgit interest rate products & ringgit currency products in *Asia Risk's Corporate Rankings* and *Institutional Rankings*. *AsiaMoney* named OCBC Malaysia the Best Foreign FX Provider 2016.

Bank OCBC NISP

In 2016, Bank OCBC NISP's total assets grew 15% to IDR138 trillion (S$14.9 billion). Total loans rose 9% to IDR93 trillion (S$10.04 billion), supported by strong growth in SME and consumer loans. Asset quality remained healthy with a gross non-performing loan ratio of 1.9% against the industry average of 3.2%. Deposits increased 19% to IDR104 trillion (S$11.23 billion).

Bank OCBC NISP served customers across Indonesia with a network of 340 branches and 763 ATMs, as well as through electronic banking channels. During the year, we continued to make good progress in enhancing various online and mobile banking services to extend customer reach and deepen engagement. As a result, the total value of Internet banking transactions rose 17%, and the total value of mobile banking transactions rose 89%.

We launched several initiatives to improve operational efficiency and raise service standards. These included the centralisation of our back-office processes, the integration of key data marts into a single data warehouse to enable faster generation of reports, and the implementation of a branch transformation programme. The programme was designed to enhance synergies between the branches and business segments as well as support functions. These initiatives collectively boosted bankwide productivity, with the business volume per employee increasing 16%.

We worked closely with other parts of the OCBC Group across a range of business areas such as risk management, capital markets, trade finance, bancassurance, treasury and wealth management. These collaborations enabled us to better seize market opportunities, and provide more holistic solutions to our customers in wealth management and cross-border services.

We won a number of awards conferred by *Asian Banking & Finance* including: Best SME Bank, Domestic Foreign Exchange Bank, Domestic Technology & Operations Bank, Domestic Mobile Banking Initiative and Website of the Year 2016. We won the Global Business CIO award and the Customer Oriented Business Model award, both given out by the *Internet Component Management Group (ICMG)*, for a second consecutive year. The *Asian Banker* recognised the performance of our wealth business with the Wealth Management of The Year award, and named as Best Customer Relationship Management (CRM) Project our integrated customer portfolio project that rolled out a system with a consolidated view of each customer relationship. We continued to receive accolades for our sound corporate governance practices, including winning for the third consecutive year The Best Responsibilities of the Board award, conferred by the *Indonesian Institute for Corporate Directorship*.

OCBC MALAYSIA

RM2.3b

Total Revenue in 2016

BANK OCBC NISP

15%

Increase in Total Assets

Bank of Singapore

Bank of Singapore registered strong revenue growth of 12%, with a 45% increase in assets under management ("AUM") to US$79 billion (S$115 billion).

This included additional AUM of US$13 billion arising from our acquisition of Barclays' wealth and investment management business in Singapore and Hong Kong ("Barclays WIM"). The AUM successfully transferred works out to about 75% of the AUM of US$17.5 billion that Barclays WIM had when the agreement was signed on 7 April 2016 – better than the industry benchmark for the acquisition of a private bank. The price of the acquisition was calculated based on the AUM transferred, which worked out to about US$227.5 million.

Completed in November 2016, the acquisition has positioned us well to realise further growth in our core markets.

Our growth will continue to be underpinned by the strength of our investment solutions, people and brand, as well as support from entities across the OCBC Group. These have all contributed towards our AUM increasing from US$22 billion in 2010 to US$79 billion in 2016.

We have a staff strength of more than 1,800, including almost 400 experienced bankers to serve ultra-high and high net worth individuals. We offer our clients a comprehensive range of investment ideas and solutions backed by strong research capabilities. Our clients also benefit from our connectivity to key markets in the commercial banking space through OCBC Bank.

During the year, despite volatile market conditions, we continued to identify opportunities for collaboration with strategic partners to offer investment solutions that suit our clients' investment strategies.

We partnered OCBC Bank subsidiary, Lion Global Investors, to offer our ultra-high net worth clients the Lion-Bank of Singapore Asian Income Fund in January 2016. Comprising a diversified portfolio of Asian equities and bonds, the Fund offered timely respite to clients seeking a steady cash flow in the midst of market volatility that had been persisting since 2015 and worsened in the beginning of 2016.

In September 2016, we were the first Asian private bank to enter into an exclusive partnership with BlackRock to jointly develop a discretionary portfolio management strategy – Bank of Singapore Market Essentials Mandate. This strategy is anchored on the concept of factor investing – constructing a portfolio optimised by risk factors rather than asset class. Doing so helps our clients achieve better balance and stronger diversification across their portfolios by using low-cost exchange-traded funds. This marked the first time that such a strategy, usually used by institutional investors, was made available exclusively to ultra-high net worth and high net worth individuals in Asia. It continues to be positively received by our clients.

We transferred the trust structures of BOS Trust Company (Jersey) Limited to BOS Trustee Limited based in Singapore, thereby consolidating all our trust operations in one location. Jersey-law trusts continued to be offered through BOS Trustee Limited. This move enables us to operate more efficiently on a larger scale and provide better service to our clients. As the majority of our clients and relationship managers are based in Asia, working with a trust company in the same time zone enables our relationship managers to respond more quickly to client requests.

In November 2016, we obtained approval to set up a branch at the Dubai International Financial Centre ("DIFC"). This allows us to offer a comprehensive range of customised private banking solutions, including investments, credit and wealth planning advisory services to our clients. The DIFC branch helps add scale and reach, and offers our clients a gateway to growth, connecting the Middle East with Europe, Asia and the Americas.

We partnered Wealth Management Institute ("WMI") and Nanyang Technological University ("NTU") to launch an Institute of Banking and Finance-accredited professional qualification – the Advanced Diploma in Private Banking. This diploma is the highest level of accreditation accorded by the Institute of Banking and Finance Singapore and marks the first time that NTU is collaborating with a financial institution to award an advanced diploma in the field of private banking. Bank of Singapore is among the few private banks based in Singapore to offer our bankers a holistic training syllabus. The training provides our bankers with hands-on experience and helps them gain in-depth knowledge across various aspects of wealth management including wealth advisory, risk management and relationship building.

Great Eastern Holdings

Great Eastern Holdings ("GEH") reported strong growth in its underlying insurance business in 2016. Total weighted new sales increased 11% to S$1.07 billion, underpinned by robust sales growth across both agency and bancassurance channels. New business embedded value ("NBEV"), a measure of long-term economic profitability, increased 22% to S$466 million, while NBEV margin rose to 43.6% from 39.5% a year ago. GEH's embedded value, an estimate of the long-term economic value of a life insurance company, grew 6% to S$11.7 billion.

Net profit after tax was S$589 million. This compares with S$785 million a year ago, which had included a post-tax gain of S$120 million from the sale of an equity investment. The year-on-year decline in earnings was also due to higher costs associated with supporting strong sales growth, a rise in medical claim expenses and unrealised mark-to-market losses as a result of unfavourable interest rate movements. Net profit after tax contribution to the Group was S$470 million and amounted to 14% of the Group's earnings in 2016.

OCBC China

(merged with Wing Hang China on 18 July 2016 to become OCBC Wing Hang China)

The banking industry in China faced a difficult operating environment in 2016, marked by a slowdown in economic growth, sluggish loan demand, intense competition and regulatory changes. Against this backdrop, OCBC China's business continued to be stable, with operating expenses kept tightly controlled. As at 30 June 2016, our asset quality and capital position remained sound.

We successfully leveraged opportunities arising from various government initiatives aimed at transforming China's economy to provide our corporate customers with customised financial solutions. In January 2016, we signed a memorandum of understanding ("MOU") with the Chongqing municipal government to deepen collaboration with various government bodies and local banks in a broad range of areas including promoting trade and investments, financial innovation and talent development. The closer ties we forged with the MOU partners enabled us to help a Chongqing company successfully expand its investor base through its inaugural bond issuance in Singapore. The bond was the first overseas US dollar fixed income issuance by a Chinese company under the Chongqing Connectivity Initiative – the third government-led project between Singapore and China. We were the only Singapore bank bookrunner for the transaction.

Under the Qualified Domestic Institutional Investor programme, we developed high-yield treasury products for corporate clients to enhance the returns on their investment portfolios. The first tranche of these products, which was very well received, was launched in the first half of 2016.

OCBC Wing Hang

OCBC Wing Hang continued to strengthen collaboration with businesses and entities across the OCBC Group, enabling us to roll out new business initiatives, expand our product suite and deepen customer relationships. As a result, we reported a net profit of HK$2.05 billion (S$365.3 million) in 2016, 0.9% higher than in 2015 despite the sluggish market environment.

Significantly, we completed all 14 integration work streams that were established after we became a wholly-owned subsidiary of OCBC Bank in October 2014. We continued to make progress in aligning our policies and practices. One important alignment was the adoption of OCBC Bank's risk management and HR policies, including the Group's practice of conducting an annual Employee Satisfaction Survey.

During the year, we expanded our product suite with new financial solutions for retail customers. To support our growing wealth management business, we put in place a new sales management framework to drive customer engagement, cross-selling and sales performance management. As part of its implementation, we provided intensive training to equip frontline and backend staff with the necessary knowledge and skills.

We continued to leverage on our strong customer relationships to further deepen the existing corporate banking franchise, by providing comprehensive financing support for their operational and business expansion needs. This has contributed towards growth in loan and deposit balances attributable to large corporates and SME customers. We introduced new product bundles for corporate customers, enhancing cross-selling.

We implemented changes in our retail banking division, re-organising it into three core functions – Product, Segment/Channel and Support. We also integrated selected backroom operations for faster processing.

We successfully implemented various strategic technology projects including enhancements to our accounting, management information and treasury systems. Other IT enhancements related to Core Infrastructure, Cyber Defence, Corporate Internet Banking and Strategic Liquidity Coverage Ratio measurement are progressing well.

The implementation of the Internal Risk Based ("IRB") approach programme is on track. The programme will result in a change in the way we calculate capital requirements for credit risk taken. We have introduced new internal rating models and we are currently in the final stages of putting in place the necessary data and IT infrastructure. We are targeting to make our submissions under the IRB approach to regulators in mid-2017. Once fully implemented, OCBC Wing Hang will enjoy significant savings in its cost of capital annually.

On 18 July 2016, OCBC Bank merged its two banking subsidiaries in China – OCBC China and Wing Hang China – to become OCBC Wing Hang China. OCBC Wing Hang China has a registered capital of RMB5 billion and is a wholly-owned subsidiary of OCBC Wing Hang in Hong Kong.

OCBC Wing Hang China's head office is at OCBC Tower located at Yuanshen Road in the Pudong financial district of Shanghai. Its network comprises 31 branches and sub-branches which span 14 major cities across both Northern and Southern China. Thirteen of these branches and sub-branches are located within the Pearl River Delta region in China.

BANK OF SINGAPORE

US$79b

Assets Under Management at end-2016, up 45% from a year ago

OCBC WING HANG

HK$2.05b

Net Profit in 2016

Bank of Ningbo

Bank of Ningbo ("BON") reported a strong set of financial results in 2016. Net profit was RMB7.81 billion (S$1.62 billion), an increase of 19% from a year ago. Total loans as at 31 December 2016 were 18% higher than a year ago, helped by business expansion in various key cities in China over the last few years. The bank's nationwide network increased from 285 branches and sub-branches in 2015 to 314 in 2016, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou and Jiaxing.

2016 marked the 10th anniversary of OCBC Bank's partnership with BON, which is an associated company. OCBC Bank first acquired a 12.2% shareholding in BON in 2006. Over the years, the two banks have leveraged each other's strengths in product and business development, and deepened collaboration in areas such as offshore financing, trade finance, private banking, treasury and fund management. The strategic partnership continues to be a mutually beneficial one that is supported by the complementary businesses of both banks within and outside of China.

Operations Review

OCBC Securities

OCBC Securities maintained its strong market position in Singapore's retail and institutional equities industry, despite lacklustre market sentiment. We achieved this by continuously engaging customers and working closely with other parts of the OCBC Group to cross-sell the brokerage service.

Across different customer segments, we provide them with relevant and actionable trading ideas through our trading representatives, events and seminars, as well as the new StockReports+ feature on our iOCBC online trading platform. StockReports+, which was launched in September, aggregates independent research from brokers and provides quantitative analysis of stocks across the Singapore, Hong Kong, United States and Malaysia markets. Stocks are given ratings that customers can use as a tool for stock picks.

We continued to expand the range of services extended to customers. We enabled trading on the Shenzhen 'A' market after the launch of the Shenzhen-Hong Kong Stock Connect in November 2016. With the addition of the Shanghai 'A' market to our iOCBC trading platform, customers can now trade on 15 global exchanges online.

We launched the new iOCBC TradeMobile app for both iPhone and Android users, enhancing our customers' online trading experience. The app was equipped with the OCBC OneTouch biometric authentication feature that leverages Apple's Touch ID technology. This made OCBC Securities the first brokerage in Singapore to enable customers to view their stock portfolios, as well as market information on the stocks they hold, using their fingerprints.

In Indonesia, PT OCBC Sekuritas was able to double its operating profit and increase market share by about 3% through collaborating with Bank OCBC NISP. OCBC Sekuritas' business development managers at selected Bank OCBC NISP Premier Banking branches helped to extend equities advisory services to Bank OCBC NISP's affluent customers.

OCBC Securities received the Best Retail Broker (Merit) Award from the *Securities Investors Association (Singapore)*. The equities research team, OCBC Investment Research, was recognised as Singapore's Overall Top Award-Winning Broker in the *Thomson Reuters Analyst Awards*, with a total of eight individual honours – the most in the award's history in Singapore.

Group Property Management

Our portfolio of investment properties, comprising office, residential and retail properties with an aggregate net lettable floor area of more than two million sq ft, remained at near-full occupancy in 2016.

We completed the construction of our new data centre in Singapore in the third quarter of 2016. In February 2016, we opened our 2,400 sq ft fintech and innovation unit, The Open Vault at OCBC, located at New Bridge Road, Singapore.

Restoration and partial reconstruction to our heritage building in Xiamen, China, commenced and is scheduled to complete by end-2017. The restored building will house our Xiamen branch. We refurbished 21 branches under our branch transformation programme across Singapore, Malaysia and China. We set up five new Personal Banking branches, three new Premier Banking offices and 46 new ATMs in Singapore. We successfully completed the rebranding of more than 30 branches and offices in the third quarter of 2016, on the day of the merger of OCBC Bank China and Wing Hang Bank China.

We set up new offices to house new employees from Barclays WIM who joined Bank of Singapore after the completion of the integration of both businesses.

Corporate Social Responsibility

Giving Back to Society is an integral part of OCBC's corporate culture. By engaging and supporting the community we operate in, we help to shape a more sustainable society.

OUR CORPORATE SOCIAL RESPONSIBILITY (CSR) OBJECTIVES ARE CENTRED ON:

nurturing children & young adults

and

promoting education

1 OUR CORPORATE DONATIONS SUPPORT CHILDREN-RELATED CAUSES

- **Singapore**
  The Singapore Children's Society through the OCBC-TODAY Children's Fund
- **China**
  The Shanghai Soong Ching Ling Foundation through the OCBC Wing Hang China Little Debate programme
- **Malaysia, Hong Kong & Macau**
  various children-related charities

2 WE OFFER

bond-free scholarships, bursaries & book prizes in

SINGAPORE | MALAYSIA | CHINA

THE CEO #OCBCCares AWARD

With strong support from the Chairman, the Board and management, volunteering has become an important feature of our corporate ethos.

The CEO #OCBCCares Award was launched this year to recognise individuals and divisions who made exceptional contributions to the community.

2 divisions & 3 individuals

RECEIVED THIS PRESTIGIOUS AWARD

BY THE NUMBERS

NUMBER OF VOLUNTEERS

29,792 *employees*

7,560 *volunteers*

1 in 4 *employees gave back to the community*

TOTAL NUMBER OF VOLUNTEER HOURS

2016

36,102 *hours*

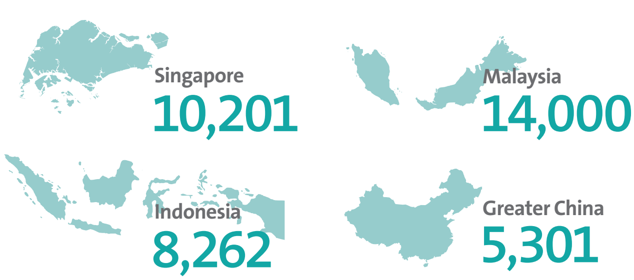
EQUIVALENT TO

4,011 *business days*

11 *years* of an employee's average working life

IMPACT OF VOLUNTEERING

NO. OF BENEFICIARIES WE REACHED OUT TO



OCBC CYCLE

	SINGAPORE	MALAYSIA
PARTICIPANTS	7,000	2,100
MEMBERS OF THE PUBLIC	5,786	1,800
OCBC STAFF	1,129	300

OCBC CYCLE SINGAPORE

Raised S$41,000 for 4 charity organisations.

30 volunteers taught 20 less advantaged children the life skill of cycling.

Corporate Social Responsibility

Collectively across our core markets, we contributed **S$1,142,903** in corporate donations and **S$363,169** in management and staff donations.

CORPORATE DONATIONS

SINGAPORE

S$500,000

TO THE OCBC-TODAY CHILDREN'S FUND
The key to rebuilding their lives

supported children from broken families, under the care of the Singapore Children's Society

paid for counselling, therapy and character-building programmes

CHINA

RMB288,500

TO THE Shanghai Soong Ching Ling Foundation (SSCLF)

supported children from migrant families

through the OCBC Wing Hang China Little Debate programme, taught the children creative and critical thinking, problem-solving and communication skills, to help them interact with confidence

HONG KONG / MACAU

HK$1,716,333

TO children- & family-related organisations

including the Community Chest of Hong Kong and the St James Settlement

MALAYSIA

RM544,732

FOR 40 projects

activities were organised at branch level, to support communities in different locales

INDONESIA

IDR832,267,697

supported initiatives promoting environmental sustainability and entrepreneurship

MANAGEMENT AND STAFF DONATIONS

SINGAPORE

OCBC Bank Group CEO Mr Samuel Tsien
donated **S$57,550** comprising fees he received from his directorship positions in companies outside the OCBC Group. Since 2012, he has donated **S$289,487** and supported 98 volunteer projects

Management & Staff
raised **S$133,649** through auctions and events to support 6 volunteer projects

MALAYSIA

Management & Staff, including OCBC Malaysia CEO Mr Ong Eng Bin
raised **RM242,172** through food fairs, car washes and personal donations to support 28 volunteer projects

CHINA

Staff
donated **RMB8,165** to the Shanghai Soong Ching Ling Foundation

HONG KONG / MACAU

Staff
donated **HK$390,693.98** to the Family and Welfare Services office

INDONESIA

Staff
raised **IDR185,045,964** for children suffering from Thalassemia

SINGAPORE

1,584
EMPLOYEES

SPENT

7,306
HOURS

ORGANISING

86
ACTIVITIES

EACH EMPLOYEE CONTRIBUTED AN AVERAGE OF

4.6 HOURS

FOCUS

children, youths, the elderly, special needs people and the environment

In September, OCBC Bank Chairman Mr Ooi Sang Kuang (centre), Great Eastern Group CEO Mr Khor Hock Seng (right) and Gardens by the Bay CEO Dr Tan Wee Kiat (left) planted South Africa's national flower, the King Protea, at Singapore's first large-scale African-themed floral display at the Flower Dome, Gardens by the Bay. They were joined by 80 volunteers from OCBC Bank, Bank of Singapore and Great Eastern who worked after closing hours at the Dome to position plants, sculptures and landscape – to give Singaporeans and other visitors a better understanding of the biodiversity in the southern African forests.

OCBC Bank Chairman Mr Ooi Sang Kuang (centre), BreadTalk CEO for ASEAN region Mr Frankie Quek (left), and Yu Neng Primary School Principal Mrs Clara Lim-Tan (right) launched a two-month food-composting pilot project at BreadTalk's office in August. Working with OCBC and BreadTalk volunteers to turn cake trimmings into nutrient-rich compost, the students were able to apply what they have learnt in school about recycling and protecting our environment.

In June, volunteers from OCBC Campus organised a leadership programme for 16 youths from the Singapore Children's Society, to help them develop emotional resilience, personal branding, leadership and social communication skills. At the end of the five-day programme, the young leaders emerged more confident and better equipped to lead purposeful lives.

To protect marine life, OCBC Bank Group CEO Mr Samuel Tsien (third from right), Great Eastern Group CEO Mr Khor Hock Seng (fourth from right) and more than 400 volunteers helped clear debris along the Pasir Ris coastline in April. More than 1,500 kg of trash was collected in two hours.

EMPLOYEE VOLUNTEERISM

Corporate Social Responsibility

25 volunteers from the Global Investment Banking division organised an outing for 32 youths from the Movement for the Intellectually Disabled of Singapore (MINDS) to visit the Marina Barrage in September. The youths enjoyed the exhilarating experience of kite-flying - a first time for many of them.

OCBC Community Day, held at the Singapore Sports Hub in September saw us hosting 300 children and youths from the National Library Board (NLB) kidsREAD Programme; Student Care Services; Thye Hua Kwan Moral Charities; Regent Secondary School; and Yu Neng Primary School to a day of exercise and fun. Our guests tried out different sporting activities including dodge ball, soccer, frisbee throwing and speedminton - activities that they otherwise might not have been able to enjoy.

In July, 40 Bank of Singapore volunteers spent an exciting day with 60 elderly residents from the Thye Hua Kwan (THK) Indus Moral CARE Centre at the Alive illusionary entertainment museum. There was lively banter and interaction as our guests and volunteers made the most of the museum's visual effects to take memorable photos.

As a founding member of the Company of Good programme, which aims to help businesses give back in a more holistic way, we shared our volunteering experience with 14 Small and Medium Enterprise customers, to help them start their journey of giving back.

MALAYSIA

1,937
EMPLOYEES

SPENT

10,077
HOURS

ORGANISING

61
ACTIVITIES

EACH EMPLOYEE CONTRIBUTED AN AVERAGE OF

5.2 HOURS

FOCUS

children from orphanages, shelters, schools and autism centres

In July, 70 volunteers prepared 20,000 meals for less advantaged individuals and families living around Berjaya Times Square, Kuala Lumpur. Since 2013, we have prepared more than 300,000 meals for this annual stint of the global Stop Hunger Now project - to feed the needy and help improve lives.

98 volunteers from the Group Operations and Technology division's Singapore and Malaysia offices visited the Ace Lighthouse Academy in Bentong, Pahang in July, to continue refurbishment work at the boarding school for underprivileged children. They painted the children's dormitories, constructed an overflow drainage canal and planted trees to prevent soil erosion. The regular improvements helped provide a more conducive environment for the children to study.

OCBC Al-Amin volunteers organised a Sports & Family Day in March, for children from the IDEAS Autism Centre (IAC) in Selangor, planning activities and games that helped improve the children's cognitive and sensory capabilities.

In November, more than 100 volunteers from our Business Banking division helped build two new houses for 12 indigenous residents of Kampung Orang Asal Bukit Dugang in Dengkil, to replace their dilapidated dwellings. Our volunteers raised funds to purchase the building materials worth RM50,000. We collaborated with Pertubuhan Bantuan Teknikal Insaf Malaysia (INSAF), a humanitarian relief non-government organisation for this project.

Corporate Social Responsibility

INDONESIA

1,779
EMPLOYEES

SPENT

5,510
HOURS

ORGANISING

380
ACTIVITIES

EACH EMPLOYEE CONTRIBUTED AN AVERAGE OF

3.1 HOURS

FOCUS

education, entrepreneurship and environmental sustainability

To support sustainable living, 60 volunteers from OCBC Singapore, Bank OCBC NISP and Bank of Singapore planted 2,000 trees on the plateau of Gunung Putri, Desa Jayagiri, Bandung in May, to prevent soil erosion. We also installed pipes to carry fresh water directly to 470 households which previously relied on underground water for daily living.

We won the 2016 Indonesia Green Award, Water Resources Conservation category, for an environmental sustainability project we completed in 2015 – we built clean water installations and catfish husbandry ponds to provide sustainable employment and income for more than 1,000 villagers from Ciaseupan Village.

In June, 70 volunteers from branches across Bank OCBC NISP's network packed rice, oil, sugar, coffee and tea for distribution to the needy and elderly. Beyond distributing food, we also provided transport for those who wanted to travel back to their hometowns so that they could spend the Hari Raya season with their family members.

CHINA

467
EMPLOYEES

SPENT

1,409
HOURS

ORGANISING

22
ACTIVITIES

EACH EMPLOYEE CONTRIBUTED AN AVERAGE OF

3 HOURS

FOCUS

children and youth, people with special needs and environmental sustainability

Students from Huaxing School were among the winners of the OCBC Wing Hang China Little Debate held in Shanghai in November. Their school, together with Huahong School, Yangjiao Yuan and Lubinghua School, educates children from migrant families, who enjoy very little time with their parents who are busy at work. With coaching from our volunteers, the young orators displayed initiative, creativity and strong communication skills as they engaged in debate.

Volunteers from our Shanghai branch visited the Shanghai Baby Home in October to offer warmth and love to ailing and abandoned children. We donated RMB15,000 to pay for treatment and quality healthcare for the children.

In December, staff volunteers from Chengdu branch visited Chengdu Shihe Elementary School, which excels in art education, to present awards of RMB100 each to 10 students with artistic talents. The inaugural OCBC Art Fund for this school was introduced to ensure that talented students are able to pursue their artistic interests despite their family circumstances. We also donated 10 sets of printing tools to the school.

10 volunteers from various front and middle-office departments partnered the Shanghai Zhenshi Ophthalmic Institution to provide eye care to the students of Ziluolan Primary School in Shanghai in December. The optometrists taught our volunteers how to conduct eye screening tests, to enable them to screen close to 100 students. We subsequently donated 20 pairs of spectacles and eye care solution for students who were diagnosed with myopia.

Corporate Social Responsibility

HONG KONG & MACAU

1,793
EMPLOYEES

SPENT

11,800
HOURS

ORGANISING

40
ACTIVITIES

EACH EMPLOYEE CONTRIBUTED AN AVERAGE OF

6.6 HOURS

FOCUS

the disabled, low-income groups, single-parent families, students and senior citizens

In September, volunteers taught students from Tang Ying Hei College the basics of banking and money management. Through games and role-playing, the students learnt the importance of managing their finances and developing the habit of saving from an early age.

In September, 30 volunteers packed rice, noodles, biscuits and canned food and distributed them to elderly residents from the St James Settlement, to help defray their living expenses. This initiative was introduced after social workers shared that elderly residents often skipped meals or ate at irregular times due to lack of funds.

To minimise waste and encourage recycling, 29 volunteers organised a good-as-new collection of household items for families under the care of the St James Settlement. Over February and March, they helped collect 23 household appliances and more than 90 pieces of used clothing and donated 50 boxes of fresh confectionery to the charity organisation.

In July, our Macau-based volunteers accompanied 20 children from an orphanage to visit the University of Macau Hengqin campus to give them a better understanding of the different courses offered by the institution. While it would be some time before they reach university age, the visit prompted several children to start setting goals for their future.

OCBC CYCLE SINGAPORE

On 1 and 2 October, participants of OCBC Cycle 2016 rode on closed roads, starting from the iconic Singapore Sports Hub and following a route that boasted an amazing city skyline view.

CLOSE TO

7,000 cyclists JOINED

Singapore's largest mass cycling event, which promotes safe cycling and offers exciting experiences and interesting activities for participants, their families and friends.

Minister for Culture, Community and Youth Ms Grace Fu (right); Mr Lim Teck Yin, CEO of Sport Singapore (left); and Dr Hing Siong Chen, Honorary Secretary of the Singapore Cycling Federation (second from left) participated in The Straits Times Ride.

OCBC Bank Chairman Mr Ooi Sang Kuang (third from right), NETS CEO & President of the Singapore Cycling Federation Mr Jeffrey Goh (second from right) and, Singapore Press Holdings Editor-in-Chief, English/Malay/Tamil Media and Editor, The Straits Times, Mr Warren Fernandez (right) flagged off The Straits Times Ride which attracted more than 2,000 participants.

The OCBC Mighty Savers Kids Ride saw parents riding with their young children, creating opportunity to bond and instil confidence as the young cyclists rode on closed roads.

The OCBC Cycle Café Bike Crawl, one of 13 workshops and activities leading up to the finale, proved to be a popular event. Participants cycled more than 20 km across northeast Singapore, including Coney Island, visiting several cafés along the way.

OCBC CYCLE KUALA LUMPUR

MORE THAN

2,000 cyclists

participated in the 42-km OCBC Cycle KL 2016 ride on 13 November, our fifth edition of the mass cycling event in Malaysia.

The ride on the closed streets of Kuala Lumpur saw participants riding past several of the country's iconic landmarks and along an interesting route featuring fewer loops and longer stretches spanning 14 kilometres per loop.

OCBC Malaysia sponsored the OCBC KL Car Free Morning for the second consecutive year. The twice-monthly event allows cyclists and other sporting enthusiasts to walk, jog or cycle over a 7km stretch of road in the heart of Kuala Lumpur.

OCBC CYCLE

Digital Innovation

We have been innovating to better serve our customers for decades. As early as in the 1970s, we were a frontrunner in digital innovation when we became the first local bank to roll out a real-time online system linking our branch network. This enabled our customers to bank at any of our branches, regardless of which branch they had opened their accounts at. Ahead of fintech becoming a buzzword in the industry, we had introduced, over the past few years, a series of first-to-market digital banking solutions, all of which have **meaningfully improved our customers' banking experience.**

CUSTOMERS' NEEDS AS OUR STARTING POINT + DEVELOP APPROPRIATE SOLUTIONS = SUPERIOR CUSTOMER EXPERIENCE

FOCUSED DIGITAL INVESTMENT

FOSTERING A CULTURE OF INNOVATION

Innovation is a mindset that permeates throughout our entire organisation. Our culture of innovation is deeply embedded and reinforced through constant learning and collaboration.

LEARN → ENGAGE → EXPERIMENT → ACCELERATE → RECOGNISE

SPEAKER SESSIONS & WORKSHOPS

1. **19 speaker sessions** organised in 2016, allowing more than 500 employees to glean insights from companies like Airbnb
2. **Lean Start-up** workshops organised to train more than 50 senior leaders on concepts such as rapid iteration and agile experimentation
3. **Bi-monthly workshops** conducted with Business Units to drive digital transformation through evaluating and adopting new technologies

INCUBATION OF IDEAS FROM EMPLOYEES

- Innovation Lab formed in 2013 to provide employees with a dedicated space to test ideas and build prototypes
- More than 7,000 ideas incubated and more than 200 successfully implemented
- Dedicated mobile developer team set up in 2014, with more than 40 mobile banking solutions generated to date

EXTERNAL COLLABORATION WITH FINTECH START-UPS

- Fintech and innovation unit called *The Open Vault at OCBC* set up in February 2016 to explore new ways of providing banking services with fintech start-ups
- 40 OCBC staff enlisted to serve as mentors to fintech start-ups
- Engaged and evaluated more than 330 fintech start-ups and conducted pilot experiments in areas such as analytics and artificial intelligence

CEO INNOVATION AWARD

- New award introduced in 2016
- 15 teams nominated and two teams recognised for developing industry-first solutions:
  1. OCBC Open Account app allows customers to open accounts remotely
  2. OCBC OneTouch fingerprint authentication feature allows customers to access account information on various OCBC mobile apps conveniently with the touch of a finger

OUR FIRST-TO-MARKET INNOVATIONS

ACCESS TO BANKING SERVICES

Fingerprint Authentication

2015 - 2016

OCBC OneTouch feature enables customers to view account information with the touch of a finger

First launched for personal banking app on iPhones in 2015, the service was extended to more apps in 2016:

- Business banking app
- Brokerage trading app
- Android version of personal banking app

Speech Recognition/ Voice Biometrics

2015 - 2016

- Access contact centre services with spoken commands, instead of keying in options on the keypad
- Authenticate banking requests using voiceprints, rather than PINs, one-time passwords and security questions

Banking on Your Wrist

2016

Apple Watch banking app allows customers to view bank balances, transactions and branch and ATM locations, without logging in to mobile banking app

Remote Account Opening

2015

OCBC Open Account app allows customers to open an account on mobile phones or tablets without visiting a branch

ADOPTION OF NEW TECHNOLOGIES

2016

Blockchain

Use of blockchain technology successfully pilot-tested for a local funds transfer between OCBC Bank and Bank of Singapore, as well as for a cross-border funds transfer between OCBC Bank in Singapore and OCBC Malaysia

2016

Open API Platform

Connect2OCBC platform allows third parties to integrate our Application Programming Interfaces ("APIs") into their own apps

More than 30,000 downloads received of our APIs, such as:

- Branch locator
- ATM locator
- Foreign exchange rates

NON-TRADITIONAL FUNDS TRANSFERS

2016

New Ways of Initiating Transfers

Apple's Siri and iMessage features integrated with OCBC Pay Anyone service to enable convenient funds transfers to phone contacts, even in mid-conversation

2014

Social Payments

OCBC Pay Anyone service allows customers to transfer money securely and instantly without the need for recipient's bank account details. Customers can initiate transfers using just the recipient's mobile number, email address or Facebook account

WEALTH & INVESTMENT SOLUTIONS

2016

Integrated Wealth Management App

OCBC OneWealth app gives access to market information and investment suggestions from the OCBC Wealth Panel, sends personalised mobile alerts on wealth portfolios and enables online purchase of unit trusts

2015

Online Unit Trust Sales

Customers are able to make unit trust purchases online from pre-selected lists based on their risk profiles and investment preferences

2013

Personal Financial Management Tool

OCBC Money Insights tool for online and mobile banking enables customers to monitor expenses, set budgets and save towards their goals

THE OPEN VAULT AT OCBC ACCELERATOR PROGRAMME

A three-month accelerator programme was organised to groom fintech start-ups to develop new business solutions with us. We received more than 200 applications from 28 countries, and eight start-ups were ultimately selected to move to Singapore to work with us. Three of the start-ups completed successful proof-of-concepts for new solutions, which advanced to the pilot-testing stage.

PILOT PROJECTS

WEALTH MANAGEMENT

1. First fintech solution, developed by Fincast, analyses customers' portfolios across assets and delivers recommendations based on their goals and investment profiles

2. Second fintech solution, developed by BondIT, provides analysis on portfolios focused on bonds

VIRTUAL CUSTOMER ASSISTANCE

3. Artificial intelligence solution by Cognicor delivers real-time responses through instant messaging chat box for all home loan queries

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices that conform to the Banking (Corporate Governance) Regulations and the corporate governance guidelines of the Monetary Authority of Singapore ("MAS"), and observes the Singapore Exchange Securities Trading Ltd's Code of Corporate Governance (the "Code").

Board of Directors

Board Composition and Independence

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

An independent Director in OCBC Bank is one who is independent of any management, substantial shareholder, business relationship with the Bank, and 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 Lai Teck Poh, Ms Christina Ong, Mr Quah Wee Ghee, Mr Tan Ngiap Joo, Dr Teh Kok Peng and Mr Wee Joo Yeow.

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

Dr Lee Tih Shih is not independent from substantial shareholder, but deemed independent from management and business relationships. Mr Samuel N. Tsien and Mr Pramukti Surjaudaja are not independent of management.
Mr Samuel N. Tsien is executive Director and Chief Executive Officer ("CEO").
Mr Pramukti Surjaudaja has an immediate relative, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk.

Dr Cheong Choong Kong retired from the Board on 22 April 2016.

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.

The Board assesses the diversity of its members' competency profiles and determines the collective skills required to discharge its responsibilities effectively. Steps are taken to improve effectiveness, where necessary. It is assessed that the members of the Board as a group provide skills and competencies that ensure the effectiveness of the Board and its committees. These include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found on pages 12 to 15.

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

Board members do not appoint alternate directors as a matter of practice.

Board Conduct and Responsibilities

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

- reviewing and approving overall business strategy as well as organisation structure, as developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;

- ensuring that the Bank operates in such a way as to preserve its financial integrity and in accordance with policies approved by the Board;

- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and, through the Risk Management Committee, the quality of the risk management processes and systems;

- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with its strategic intent, the operating environment and effective internal controls, as well as capital sufficiency and regulatory standards;

- overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;

- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;

- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing executive officers as deemed necessary;

- 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 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.

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

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

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

In 2016, the Board and its committees held a total of 31 meetings. 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, in addition, can take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitates orientation of new Directors and professional development of Directors, as required. The appointment and removal of the company secretary is considered to be a matter for the Board as a whole.

Board Approval

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

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

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 Orientation and Development

A formal appointment letter and director handbook are provided to every new Director. The handbook sets out, among 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 listing rules. 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 the new Directors to visit the Bank's operations and facilities.

On a continuing basis, the Directors receive appropriate development to perform their roles on the Board and its committees. This includes updates on regulatory developments and their impact on business, new business and products, accounting and finance, corporate governance and risk management, 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 skills required to enable Directors to properly discharge their duties as members of the Board and its committees are taken into account.

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

Training and updates provided to Directors in 2016 were on subjects that included:

- Fintech's Re-shaping of the Financial Industry
- Cyber Security Threats and Defence
- Anti-Money Laundering/Countering the Financing of Terrorism
- Megatrends in Asia
- Aftermath and Implications of Brexit
- Impact of New Regulations in Islamic Banking
- Impact of Indonesia's Tax Amnesty Law
- Insurance and Securities Businesses in Indonesia
- Technology Risk and Cyber Risk
- Malaysia Socio-Political Update
- Economic Review of Indonesia
- Aligning Enterprise Risk with Strategy and Performance
- Sustainability Reporting Requirements

Board Performance

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

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees whilst the Chairman and Nominating Committee Chairman evaluate the performance of each Director and meet to discuss the matter. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairman and/or Nominating Committee Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors, in consultation with the Nominating Committee.

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

Board Committees

Executive Committee

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

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

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

Nominating Committee

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

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

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank.

It plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes reviewing all nominations for the appointment, election or re-election - as well as resignations - of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. In addition, it reviews nominations for and dismissals or resignations of senior management positions in the Bank, including the CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Chief Information Officer. 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.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors, when necessary. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of MAS. In accordance with the Bank's Constitution, the new Director will hold office until the next AGM and if eligible, may then stand for re-election.

Audit Committee

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

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

The Committee has written terms of reference that describe the responsibilities of its members. The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time and no fewer than four times a year. It has full access to and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates, with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost- effectiveness of the audits and the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements through briefings provided by internal or external subject matter experts. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements. The Committee reviews announcements relating to financial performance.

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

The Audit Committee meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a regular basis. The Board is updated regarding these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing their independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2016, and the breakdown of total fees paid for audit and non-audit services, are shown in the Notes to the Financial Statements.

In the review of the 2016 financial statements, the Audit Committee discussed with management the quality of 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 considered. The following key audit matters highlighted in the Independent Auditors' Report on pages 101 to 103 were also discussed with management and the external auditor:

Impairment of loans and receivables

The Audit Committee reviewed management's computation of portfolio allowances in accordance with approved methodology and guiding principles. The Committee also considered management's estimates of specific allowances. The adequacy of specific allowances set aside for key loan accounts was also discussed with the external auditor. Additionally, the Committee 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
The Audit Committee considered management's valuation of the 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 assessments of the controls over valuation which included independent verification of price and validation of valuation models.

Valuation of insurance contract liabilities
The Audit Committee considered 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 reviewed the external auditor's independent assessment of the valuation methodology and assumptions adopted by Great Eastern and its subsidiaries.

The Audit Committee believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

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

Internal Audit Function

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's governance, risk management and internal control processes - as designed and implemented by senior management - are adequate and effective. Group Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. The internal audit of OCBC Wing Hang Bank Limited, acquired in July 2014, is in transition to meet these requirements.

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

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. The Committee ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and for outstanding exceptions or recommendations to be closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience. It reports functionally to the Audit Committee and administratively to the CEO, has unfettered access to the Audit Committee, Board and senior management, and has the right to seek information and explanations. Currently, the number of internal audit staff in the Group is 294. The division is organised into departments that are aligned with the structure of the Group. The Audit Committee approves the appointment, removal and remuneration of the Head of Group Audit.

Internal Controls

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board - with the concurrence of the Audit and Risk Management Committees - is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls as well as risk management systems, were adequate and effective as at 31 December 2016, 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 judgment in decision-making, human error, losses, fraud or other irregularities.

External Auditor

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

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

In its recommendation on the re-appointment of the external auditor, the Audit Committee considers the length of the external auditor's tenure and the risk that may pose to objectivity and independence. The Audit Committee also takes into consideration the external auditor's policy of rotating the lead engagement partner every five years.

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

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

As part of its assurance process on the objectivity and independence of the external auditor, the Audit Committee has in place a policy that lists the non-audit services which may not be provided by external auditors and sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. Permitted non-audit services exceeding S$250,000 require the approval of the Audit Committee before the auditor can be engaged. In addition, the Audit Committee reviews reports on non-audit services undertaken by the external auditor to satisfy itself as to the nature of non-audit services being provided and the fees incurred. The nature of the non-audit services provided during the financial year ended 31 December 2016 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 review differences 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.

Remuneration Committee

The Remuneration Committee comprises Mr Wee Joo Yeow (Chairman), Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Dr Teh Kok Peng. 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 resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, 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. No consultant was engaged in 2016 to provide remuneration advice.

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.

Risk Management Committee

The Risk Management Committee, which supports the Board in performing its risk

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oversight responsibilities, comprises Mr Lai Teck Poh (Chairman), Mr Ooi Sang Kuang, Mr Quah Wee Ghee, 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 sophistication in risk disciplines or business experience. Mr Lai Teck Poh also serves on the Audit Committee. The common membership helps to facilitate communication and foster the sharing of information and knowledge between the two committees.

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

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

Activities performed by Risk Management Committee are also described under the caption "Risk Management" on pages 62 to 71.

Directors' Attendance at Board and Board Committee Meetings in 2016

Name of Director	Board			Executive Committee			Audit Committee	
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting	
	Held[1]	Attended	Attended	Held[1]	Attended	Attended	Held[1]	Attended
Ooi Sang Kuang	6	6	3	4	4	1	–	–
Cheong Choong Kong[2]	2	2	2	–	–	–	–	–
Lai Teck Poh	6	6	3	–	–	–	6	6
Lee Tih Shih	6	6	3	4	4	1	–	–
Christina Ong[3]	5	4	2	–	–	–	4	4
Quah Wee Ghee	6	6	3	4	4	1	–	–
Pramukti Surjaudaja	6	6	3	–	–	–	–	–
Tan Ngiap Joo	6	6	3	4	4	1	6	6
Teh Kok Peng[4]	6	6	3	–	–	–	2	2
Samuel N. Tsien	6	6	3	4	4	1	–	–
Wee Joo Yeow	6	6	3	4	4	1	–	–

Name of Director	Nominating Committee		Remuneration Committee		Risk Management Committee	
	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Ooi Sang Kuang	2	2	3	3	6	6
Cheong Choong Kong[2]	–	–	–	–	–	–
Lai Teck Poh	2	2	–	–	6	6
Lee Tih Shih	2	2	–	–	–	–
Christina Ong[3]	–	–	–	–	–	–
Quah Wee Ghee	–	–	3	3	6	6
Pramukti Surjaudaja	–	–	–	–	6	6
Tan Ngiap Joo	2	2	3	3	–	–
Teh Kok Peng[4]	–	–	3	3	–	–
Samuel N. Tsien	–	–	–	–	6	6
Wee Joo Yeow	2	2	3	3	6	5

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Retired from the Board on 22 April 2016.
(3) Appointed to the Board on 15 February 2016 and Audit Committee on 22 April 2016.
(4) Stepped down from Audit Committee on 22 April 2016.

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.

Remuneration Policy

Employees' Remuneration

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

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

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

There were no significant changes to the above measures during 2016.

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

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

In determining the composition of compensation packages, the Bank takes into account the time horizon of risk and includes, in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares and share options. To ensure that its remuneration packages are competitive, the Bank regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Bank's variable bonus pool is fully discretionary and the factors taken into consideration include the Bank's performance, market conditions and competitive market practices.

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

As a consequence of the last financial crisis, the Financial Stability Forum ("FSF") developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. The Remuneration Committee made changes to the Bank's compensation structure to increase the proportion of the deferred remuneration component for senior executives. The Bank's compensation practices are reviewed annually by an independent party and confirmed to have met the FSF principles and implementation standards.

The Bank has identified a group of senior executives whose authority and actions are deemed to have a major influence on the long term performance of the Bank. This group, identified as "Material Risk Takers" comprises senior management (the CEO and his direct reports), employees of Senior Vice President rank and above, key personnel at business units, senior control staff, and employees who had been awarded significant variable performance bonuses. The Board approves the compensation of the CEO, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Information Officer and Head, Global Treasury, and the Remuneration Committee approves the compensation of all other senior executives of at least Senior Vice President rank.

The performance evaluation for senior executives in 2016 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.

The Bank's remuneration policy is also 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

Directors' Remuneration

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

Compensation of 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 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 board chairman's fee however has been reduced from S$1,800,000 to S$1,400,000.

The fee structure is as follows:

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

The resolution proposing the fee for non-executive Directors will be presented to shareholders at the AGM in April 2017.

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 grant of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served on the Board for less than a full financial year will be awarded shares on a pro-rated basis, according to how long he has served. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2017.

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

Remuneration of Directors' Immediate Family
None of the Directors had immediate family members who were employees of the Bank with personal annual remunerations exceeding S$50,000.

Remuneration of Top Five Key Management Personnel in 2016
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.

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

Directors' Remuneration in 2016

Bank

Director	Fees[b]	Remuneration Shares[b][c]	Other Benefits[d]	Total
	S$'000	S$'000	S$'000	S$'000
Ooi Sang Kuang	1,550	57	30	1,637
Cheong Choong Kong [a]	30	17	–	47
Lai Teck Poh	247	57	–	304
Lee Tih Shih	162	57	–	219
Christina Ong	105	50	–	155
Quah Wee Ghee	217	57	–	274
Pramukti Surjaudaja	133	57	–	190
Tan Ngiap Joo	293	57	–	350
Teh Kok Peng	124	57	–	181
Wee Joo Yeow	260	57	–	317
	3,121	523	30	3,674

Director & CEO	Salary	Bonus	Share Options[e]	Deferred Shares	Other Benefits[d]	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Samuel N. Tsien	1,242	4,251	708	2,125	54	8,380

Notes:
[a] Ceased to be a board member on 22 April 2016.
[b] Fees and remuneration shares for non-executive Directors are subject to approval by shareholders at the 2017 AGM.
[c] Value of remuneration shares was estimated based on closing price of ordinary shares on 22 March 2017, i.e. S$9.45.
[d] Non-cash component such as club and car benefits.
[e] Option to acquire 772,350 ordinary shares at an acquisition price of S$9.598 each. Exercise period is from 23 March 2018 to 22 March 2027. The option is valued using the Binomial valuation model.

Subsidiaries

Director	Fees
	S$'000
Ooi Sang Kuang	223[f]
Cheong Choong Kong [a]	79[g]
Lai Teck Poh	223[h]
Quah Wee Ghee	209[i]
Pramukti Surjaudaja	704[j]
Tan Ngiap Joo	270[k]
Wee Joo Yeow	140[l]

Notes:
[f] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and OCBC Wing Hang Bank.
[g] Fees from Great Eastern Holdings and OCBC Wing Hang Bank.
[h] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and PT Bank OCBC NISP.
[i] Fees from Bank of Singapore, The Great Eastern Life Assurance Co and The Overseas Assurance Corporation.
[j] Fees from PT Bank OCBC NISP for being President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.
[k] Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank, Banking Computer Services and BCS Information Systems.
[l] Fees from Great Eastern Holdings.

Share Schemes

OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the Scheme) seeks to inculcate in all participants a stronger and long-term sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. It forms a portion of senior executives' variable compensation and serves to align the Bank's compensation with the sustained long-term performance of the Bank. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the Scheme.

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

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

The validity period of the options is subject to legislation applicable on the date of grant. Based on current legislation, options granted to Group executives are exercisable for up to 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:

Vesting schedule

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

These options will lapse immediately upon termination of employment or appointment, except in the event of retirement, redundancy or death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee. Shares granted upon the exercising of options are allocated from treasury shares or from new ordinary shares issued by the Bank.

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

OCBC Deferred Share Plan
The OCBC Deferred Share Plan (the Plan) aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee, are eligible to participate in the Plan. In 2016, the participants are executives of the Bank, selected overseas locations and subsidiaries.

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

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

The awards will lapse immediately upon termination of employment and 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 8,137,316 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 Group, including executive Directors, to inculcate in all participants a stronger and more lasting sense of identification with the Group.

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

The duration of the offering period is 24 months and the share acquisition price is fixed before the offering period based on the average of the last traded prices over the five consecutive trading days immediately preceding the price fixing date. Shares granted upon conversions in accordance with the rules of the ESPP are allocated from treasury shares or from new ordinary shares issued by the Bank.

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

Remuneration Disclosure for Senior Management and Material Risk Takers

Guaranteed Bonuses, Sign-on Awards, Severance Payments and Variable Remuneration

Category	Senior Management	Material Risk Takers
Number of guaranteed bonuses	0	0
Number of sign-on awards	0	0
Number of severance payments	0	0
Total amounts of above payments made for the financial year (S$'000)	0	0
Number of employees	17	191
Number of employees that receive variable remuneration	17	183

Breakdown of Remuneration Awarded in Current Financial Year

Category		Senior Management		Material Risk Takers	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	31	0	56	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	0	0	0	0
Variable remuneration	Cash-based	41	0	27	0
	Shares and share-linked instruments	0	28	0	17
	Other forms of remuneration	0	0	0	0
	Total	**100**		**100**	

Breakdown of Long-term Remuneration Awards

Category	Senior Management %	Material Risk Takers %
Change in deferred remuneration awarded in current financial year	-17	6
Change in amount of outstanding deferred remuneration from previous financial year	45	52
Outstanding deferred remuneration (breakdown):		
Cash	0	2
Shares and share-linked instruments	100	98
Other forms of remuneration	0	0
Total	**100**	**100**
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit)[1]	0	0
Reductions in current year due to ex-post adjustments (implicit)[2]	0	0
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments		
Reductions in current year due to ex-post adjustments (explicit)	N.A.	N.A.
Reductions in current year due to ex-post adjustments (implicit)	N.A.	N.A.

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

Communication with Shareholders

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group's Corporate Communications and Investor Relations units is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. 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.

The Bank has an investor relations policy approved by the Board. 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 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.

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.

At the AGM, the Group's financial performance for the preceding year is presented to shareholders. The Directors, external auditors and senior management are present at these meetings to address any relevant queries raised by shareholders. Independent scrutineers are engaged to review the voting process and attend the meetings.

Related Party Transactions

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party and interested person transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions for related party lendings are not more favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual on interested person transactions.

Ethical Standards

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank and its listed subsidiary, Great Eastern Holdings Limited (GEH) during the period commencing two weeks before the announcement of the Bank's and GEH's quarterly or half-yearly financial results, and one month before the announcement of year-end results (the "black-out" period) and at any time they are in possession of unpublished material price-sensitive information. The Bank will notify Directors and employees of the commencement date for each black-out period. The policy also states that employees are not to deal in the Bank's securities on short-term considerations. In addition, employees are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

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

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

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

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

Summary of Disclosures

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

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters.	Pages 42 to 48
Guideline 1.4 The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings.	Pages 43 and 48
Guideline 1.5 The type of material transactions that require Board approval under guidelines.	Page 43
Guideline 1.6 The induction, orientation and training provided to new and existing directors.	Pages 43 and 44
Guideline 1.16 An assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively.	Page 44
Guideline 2.1 Compliance with the guideline on proportion of independent directors on the Board.	Page 42
Guideline 2.3 The Board should identify in the Company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him/her as independent should be disclosed.	Page 42
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Not Applicable
Guideline 2.6 (a) The Board's policy with regard to diversity in identifying director nominees (b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness.	Pages 42 and 45

Corporate Governance

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
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 44
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members.	Not Applicable
Guideline 4.1 Names of the members of the Nominating Committee and the key terms of reference of the Nominating Committee, explaining its role and the authority delegated to it by the Board.	Pages 44 and 45
Guideline 4.4 (a) The maximum number of listed company Board representations which directors may hold should be disclosed (b) Specific considerations in deciding on the capacity of directors.	Page 44
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process.	Page 45
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the Nominating Committee to be independent.	Pages 12 to 15 and 42
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 5.1 The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its directors. This assessment process should be disclosed in the Company's Annual Report.	Page 44
Guideline 6.1 Types of information which the Company provides to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided.	Pages 43, 46 to 48
Guideline 7.1 Names of the members of the Remuneration Committee and the key terms of reference of the Remuneration Committee, explaining its role and the authority delegated to it by the Board.	Page 47

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company.	Not Applicable
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Pages 49, 50 and 53
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).	For CEO and Management: Pages 50, 51 and 53 For the Company's other directors: Pages 50 and 51
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Page 51
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonus, benefits in kind, stock options granted, share-based incentives and awards, and the other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.	Page 50
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000.	Not Applicable
Guideline 9.5 Details and important terms of employee share schemes.	Pages 51, 52 and 96 to 99
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	Pages 49, 50 and 53

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.	Pages 46 and 47
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.	Pages 47 and 48
Guideline 12.1 Names of the members of the Audit Committee and the key terms of reference of the Audit Committee, explaining its role and the authority delegated to it by the Board.	Pages 45 to 47
Guideline 12.6 Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.	Pages 47 and 127
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report.	Page 45
Guideline 12.8 Summary of the Audit Committee's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Page 45
Guideline 13.1 Whether the Company has an internal audit function.	Page 46
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders, e.g. through analysts briefings, investor roadshows or Investors' Day briefings.	Pages 53 and 54
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.	Not Applicable
Guideline 17.4 Material related party transactions.	Page 54

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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2016 S$'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$100,000) 2016 S$'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.	583	–
Dr Cheong Choong Kong - Advisory services rendered to major subsidiaries of OCBC Bank on talent identification and management succession.	153[1]	–

Note
(1) Reflects payments to him when he was a director of OCBC Bank.

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 2016.

3. Appointment of Auditors

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

Capital Management

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

Capital Policy

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

Capital Monitoring and Planning

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

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

Dividend

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the financial year ended 31 December 2016, the Board of Directors has recommended a final dividend of 18 cents per share. This brings the full year 2016 dividend to 36 cents per share, or an estimated total dividend payout of S$1,506 million, representing 43% of the Group's core net profit of S$3,473 million (2015: total dividend payout of S$1,470 million, representing 38% of the Group's core net profit of S$3,903 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 2016, the Bank purchased 13.6 million ordinary shares for S$117 million as part of its share buyback programme, while 8.7 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 2016.

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

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

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2016 based on MAS' transitional Basel III rules for 2016. 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 capital investments in unconsolidated major stake companies), and the methodologies available for computing risk-weighted assets. Some of OCBC's existing Additional Tier 1 and Tier 2 capital instruments were issued under the Basel II capital adequacy framework. These capital instruments did not contain provisions to require them to be written off or converted into ordinary shares if the Bank was determined by the Monetary Authority of Singapore ("MAS") to be non-viable, and will be gradually phased out under MAS' Basel III transitional rules. As per the requirements of MAS Notice 637, OCBC's insurance subsidiaries were not consolidated for the computation of the capital adequacy ratios, i.e. capital investments in these insurance subsidiaries were deducted from OCBC's capital and their assets were excluded from the computation of OCBC's risk-weighted assets.

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

The Group's fully phased-in CET1 CAR as of 31 December 2016 based on MAS notice 637 rules effective 31 December 2015 was 12.4%.

OCBC's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2016, the capital adequacy ratios of these subsidiaries were above their respective local requirements.

S$ million	Basel III 2016	Basel III 2015
Tier 1 Capital		
Ordinary shares	**14,107**	13,560
Disclosed reserves/others	**21,586**	19,655
Regulatory adjustments	**(6,550)**	(4,577)
Common Equity Tier 1 Capital	**29,143**	28,638
Additional Tier 1 capital	**3,109**	3,128
Regulatory adjustments	**(2,284)**	(3,128)
Tier 1 Capital	**29,968**	28,638
Tier 2 capital	**6,087**	6,151
Regulatory adjustments	**(2,080)**	(2,334)
Total Eligible Capital	**33,975**	32,455
Credit	**164,320**	160,856
Market	**20,186**	19,531
Operational	**13,257**	12,732
Risk Weighted Assets	**197,763**	193,119
Capital Adequacy Ratios		
Common Equity Tier 1	**14.7%**	14.8%
Tier 1	**15.1%**	14.8%
Total	**17.1%**	16.8%

Disclosures required under Part XIA of MAS Notice 637 'Notice of Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore'

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

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

Risk Management

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

Key Highlights in 2016

2016 was a challenging year for credit and financial markets. Unsettling international political events and continued weak and uneven global economic growth had resulted in divergent fiscal and monetary policies amongst major economies and volatility in financial markets. Although commodity and energy prices had stabilised somewhat, excess industry capacity continued to affect the recovery prospects of our customers in the oil and gas sector. Our non-performing loans rose but our loan book remained resilient and our Group's asset quality and loan provision coverage ratios were at healthy levels.

On the treasury sales and trading front, we were able to benefit from increased client activities as we helped our customers hedged their exposures amidst volatile market conditions. Combined with proactive management of our own trading exposures against financial market shocks and political events, our sales and trading results were positive and added to our overall 2016 performance.

The operating environment for 2017 is expected to continue to be difficult. The economic, social and global political events that dominated in 2016 look likely to persist in the coming year. While the global growth prospects point to a mild recovery, rising protectionist agenda could hurt global trade, especially the trade dependent countries of our core markets. There are significant uncertainties over the changes in US policies, EU political developments and Brexit. China is also expected to face new challenges in restructuring its economy. We will continue to be vigilant and prudent in managing our portfolios by focusing on our long-term strategy of diversifying our franchise and leveraging on our expanded regional network to build even deeper relationships with our customers.

During 2016, we completed the acquisition of Barclay's wealth and investment management business in Singapore and Hong Kong under Bank of Singapore. The acquisition significantly broadens our private banking franchise. OCBC Bank (China) Ltd and Wing Hang Bank (China) Ltd also successfully merged to become OCBC Wing Hang Bank (China) Ltd. This merger will provide us with a much bigger and stronger consolidated platform to serve our customers in Greater China.

In line with the Association of Banks in Singapore ("ABS") Guidelines for Responsible Financing, we have formalised the requirement to include environmental, social and governance ("ESG") assessments especially for high-risk sectors in our credit evaluation process. At the same time, we set up a Responsible Financing Taskforce comprising both business and risk units, including personnel from key overseas subsidiaries, to develop a comprehensive framework and policies to manage ESG-related risks across the Group. We have since developed a new Responsible Financing Framework, a supporting Responsible Financing Policy and a governance structure for progressive enterprise-wide implementation starting 2017. We are also working towards disclosing our sustainability commitments and practices in accordance to Singapore Exchange Limited ("SGX") Listing Rules 711A and 711B.

To further strengthen the Group's risk analytics capability and deliver better holistic insights, we reorganised various risk analytics and reporting teams into a single global function reporting directly to the Group Chief Risk Officer. We completed a multi-year project to better manage market risk through enhanced reporting and measurement capabilities as well as technology hardware upgrades. To improve the Group's market risk oversight, we have implemented strategic systems at OCBC Wing Hang to enable timely reporting and closer monitoring of limit utilisation. We have also integrated the positions of Bank of Singapore, OCBC Wing Hang China and PT Bank OCBC NISP Tbk into the group-wide asset and liability risk management systems.

In the area of Operational Risk, we enhanced our fraud detection capability during 2016 with the deployment of a Fraud Surveillance System and the formation of a Fraud Surveillance Unit. We have also commenced the alignment of our outsourcing management process with the new Monetary Authority of Singapore ("MAS") Guidelines on Outsourcing and upgraded the due diligence standards to address the changing outsourcing risk landscape. To counter the growing sophistication of cyber-attacks, we have strengthened our cyber defense capability against advanced malware and distributed denial-of-service ("DDoS") threats. In addition, we have raised our staff awareness and vigilance through regular awareness campaigns that included the use of test emails.

Risk Management in OCBC Group

We believe that sound risk management is critical to the success of our risk-taking activities. Our philosophy is to ensure that risks and returns remain consistent with our risk appetite. To achieve this, we identify emerging portfolio threats and risk concentrations at an early stage in order to develop timely risk-response strategies.

The key elements of OCBC Group's enterprise-wide risk management strategy are:

- **Risk appetite** – The Board of Directors ("Board") sets the Group's risk appetite, which serves to guide the level and nature of risks that the Group takes. Risks are managed prudently for the long-term sustainability of the Group, and risk-taking decisions must therefore be consistent with strategic business goals and risk-adjusted return expectations. Portfolio risk limits, aligned to the risk appetite, are used to guide business operating boundaries.
- **Risk frameworks** – The Group's risk management frameworks – supported by policies, methodologies, tools, processes and controls – are subjected to robust governance structures to ensure that they are effective, comprehensive and consistent.
- **Holistic risk management** – Risks are managed holistically, with a view

to understanding the potential interconnectivity among risk types. Both risk-taking and risk-control units actively engage in regular enterprise-wide forums to identify and assess material emerging risks and opportunities. These assessments serve as inputs for both business and risk management purposes such as portfolio strategy, stress test and internal capital adequacy assessment.
- **Qualitative and quantitative evaluations** – Risks are evaluated both qualitatively and quantitatively. Rigorous stress tests are also performed on portfolios to ensure that risks are kept within control under various plausible stress scenarios. Risk models in use are regularly reviewed and independently validated to ensure that they are fit for use.

Cultivating a strong risk culture with a robust internal control environment throughout the Group is necessary for sound risk management. Customer-facing business units, product teams, independent functional risk management units and other support units such as Operations and Technology are all actively involved in risk management processes. Group Audit conducts risk-based audits and provides independent assurance that our risk management systems and 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 management in discharging their risk and control responsibilities during audits through a Management Control Oversight Rating ("MCOR"). Awareness, aptitude and attitude towards risk control issues are factors used in MCOR evaluation.

Stress testing and sensitivity analyses are integral to our risk management framework. They help senior management identify possible adverse events and assess potential vulnerability in our portfolios. The results are considered in business strategy formulation, capital adequacy assessment and risk limits setting.

All new products and services are governed by a New Product Approval Process ("NPAP") and approved by the New Product Approval Committee ("NPAC") which reports into Group Risk Management Division ("GRM"). This process provides a platform to ensure that all risks associated with new product, channel and service launches are comprehensively identified and assessed before market introduction.

Our banking subsidiaries are generally required to implement risk management policies that conform to Group standards or adopt stricter local regulations where applicable. The approving authority and limit structures of our subsidiaries are consistent with that of the Group, which are designed to ensure proper ownership and accountability. OCBC Wing Hang is progressively adopting the Group's risk management practices.

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

Risk Governance and Organisation

The Board establishes the Group's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal Board committee that oversees the Group's risk management. It sets the Group's overall risk management philosophy and approves risk management frameworks, major risk policies and risk models. The BRMC also oversees the establishment and operation of the risk management systems, receiving regular reviews on their effectiveness. The Group's various risk reports, including key stress test results and action plans, are regularly submitted to senior management, the BRMC and the Board to apprise them of the Group's risk profile.

The BRMC is supported by the GRM, which is headed by the Group Chief Risk Officer. 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. This includes the establishment of relevant risk management frameworks, policies and procedures, risk measurements and methodologies. GRM also reviews and monitors the Group's risk profiles and portfolio concentrations and highlights any significant vulnerabilities and risk issues to the respective risk management committees. Our risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support risk decisions.

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 independently of other business areas and reviewed to ensure it remains market-competitive.

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

Credit officers' approval authority limits are set based on their relevant experience, qualifications and track records. GRM officers also provide expertise during the design and approval of new products to ensure that the systems and processes are able to adequately manage any new product risks.

Basel Requirements

We have implemented the MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore, 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, we also publish mid-year disclosures on our investor relations website. Please refer to the Pillar 3 Disclosures section for information as at 31 December 2016.

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 non-retail portfolios and the Advanced Internal Ratings-Based ("A-IRB") approach for major retail and small business lending portfolios. Other credit portfolios, including those belonging

Risk Management

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

to OCBC Wing Hang, Bank OCBC NISP and margin lending exposures in Bank of Singapore are on the Standardised approach. They will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type and maturity.

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

We conduct the Internal Capital Adequacy Assessment Process ("ICAAP") at least annually to evaluate if we are able to maintain sound capital levels after considering business plans and material risks under both base case and severe stress scenarios. Remedial 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 management of risks. We closely follow ongoing industry and regulatory developments, including higher liquidity and capital requirements.

We have started to build comprehensive group-wide risk data aggregation capability under Basel Committee on Banking Supervision Regulation number 239 ("BCBS 239") to manage systemic risk in a timely and accurate manner during future crisis situations.

Credit Risk Management

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

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee ("CRMC") is the senior management group that supports the CEO and BRMC in proactively managing credit risk, including the reshaping of credit portfolios. It oversees the execution of the Group's credit risk management framework and policies, processes, infrastructure, methodologies and systems. The CRMC reviews the credit profile of material portfolios to ensure that credit risk taking is aligned with business strategy and risk appetite. The CRMC also recommends and monitors risk limits, as well as highlights any material risk issues to the CEO and BRMC.

Credit Risk Management ("CRM") departments manage credit risk within the pre-determined risk appetite, customer targets, limits and established risk standards. Dedicated risk functions are responsible for portfolio risk monitoring, risk measurement methodology, risk reporting and remedial loan management.

Regular risk reports are provided to the CRMC, CEO, BRMC and the Board in a timely, objective and transparent manner. These reports include detailed profiles on portfolio quality, credit migration, expected losses and concentration of risk exposures by business portfolio and geography. Such reporting alerts the senior management, BRMC and the Board to adverse credit trends early so that timely corrective actions can be taken. To further strengthen the Group's risk analytics capability to deliver better holistic insights, we reorganised various risk analytics and reporting teams into a single global function reporting directly to the Group Chief Risk Officer.

Credit Risk Management Approach

Our credit risk management framework covers the entire credit risk cycle, underpinned by comprehensive credit risk processes as well as the use of models to efficiently quantify and manage risks in a consistent manner.

We seek to undertake only credit risks that meet our target market and risk acceptance criteria, lending rules and risk return expectations in order to add shareholder value. As Fair Dealing is a core corporate value, any complex product sales are made only after applicable suitability and appropriateness tests are met. In addition to effective risk management practices, the judgement of our experienced credit officers is also key to our successful risk management.

Lending to Consumers and Small Businesses

Credit risks for consumers and small businesses are managed on a portfolio basis under credit programmes such as mortgages, credit cards, unsecured loans, auto loans, commercial property loans and business term loans. Loans made under these programmes should fall within the defined target markets, meet the stipulated lending criteria and comply with the applicable loan advance ratio. Systems and processes such as source identification of credit origination and independent verification of documentation are in place to detect fraud. The portfolios are closely monitored each month using MIS analytics. Application models are also used in the credit decision process for most products to enable objective, consistent and fast decisions. Behavioural models are used to identify potentially problematic loans early.

Lending to Corporate and Institutional Customers

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

Lending to Private Banking Customers

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

Credit Risk from Investment and Trading Activities

Counterparty credit risks arising from our trading, derivative and debt securities activities are actively managed to protect against potential losses in replacing a contract if a counterparty defaults. Counterparty 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 strategies. Credit exposures are also controlled through independent monitoring where breaches against approved limits or products are promptly escalated to senior management and highlighted to an independent Control Assurance Unit.

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, loan decision-making process and capital assessment. These internal rating models and the parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") – are factors used in limit setting and limit utilisation monitoring, credit approval, reporting, remedial management, stress testing and internal assessment of the capital adequacy and provisions.

Model risk is managed under an internal model risk management framework, including an internal credit rating model framework, to govern the development, validation, application and performance monitoring of these models. Approval for material models use and annual validation results 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. In addition, the models are subject to annual review (or more frequently, where necessary) and independent validation to ensure that they are performing as expected and that the assumptions used in model development remain appropriate. All rating models are assessed against internal and regulatory requirements, which are also subject to independent review by Group Audit and approval by regulators.

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

A-IRB for Major Retail Portfolios

We have adopted the A-IRB approach for major retail portfolios, including residential mortgages, credit cards, auto loans and small business 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 scorecards are used as key inputs for several retail PD models. Product, collateral and geographical characteristics are major factors used in the LGD and EAD models.

F-IRB for Major Non-Retail Portfolios

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

IRB Approach for Securitisation Exposures

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

Standardised Approach for Other Portfolios

Credit portfolios in OCBC Wing Hang and Bank OCBC NISP as well as margin lending exposure in Bank of Singapore and exposures to sovereigns, 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 and Bank of Singapore. 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

Transactions are entered into primarily on the strength of a borrower's creditworthiness and debt servicing ability. To manage credit risk, the Group accepts collaterals and credit protection as credit risk mitigants, subject to meeting the eligibility criteria. Collateral includes physical and financial assets. The value of collaterals is prudently assessed on a regular basis, and valuations are performed by independent qualified appraisers. Appropriate haircuts are applied to the market value of the collaterals, reflecting the underlying nature of the collateral, quality, liquidity and volatility. The loan-to-value ratio is a major factor in secured lending decisioning. We also accept guarantees from individuals, corporates and institutions as a form of support.

To manage counterparty credit risk, financial collaterals may be taken to partially or fully cover mark-to-market exposures on outstanding positions. Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association ("ISDA") Agreements, 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. 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 collaterals required to be posted to our counterparties under a one-notch rating downgrade occurrence. We also use Central Clearing Counterparty ("CCP") to reduce counterparty risk for Over-the-Counter ("OTC") derivatives.

Managing Credit Risk Concentrations

Credit risk concentrations may arise from lending to single customer groups, borrowers who are in similar activities or diverse groups of borrowers being affected by similar economic or market conditions. To manage such concentrations, limits are established for single borrowing groups, products, portfolios and countries. These limits are aligned with our risk appetite, business strategy, capacity and expertise. Impact on earnings and capital is also considered during the setting of limits.

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

Remedial Management

We 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.

Loans 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.

Restructured assets are classified when we have granted concessions or restructured repayment terms to borrowers who are facing difficulties in meeting the original repayment schedules. Such restructured assets are classified in the appropriate non-performing grades and will not be restored to performing loan status until the borrowers have demonstrated sustained ability to meet all future obligations under the restructured terms.

We have dedicated specialist workout teams to manage problem exposures. Time and risk-based event-specific triggers are used to develop collection and asset recovery strategies. We use analytical data such as delinquency buckets and adverse status tags for delinquent consumer loans to constantly fine-tune and prioritise our collection efforts.

Impairment Allowances for Loans

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

Specific allowances for credit losses are evaluated either individually or collectively for a portfolio. The amount of specific allowance for an individual credit exposure is determined by ascertaining the difference between the present value of future recoverable cash flows of the impaired loan and the carrying value of the loan. For homogenous unsecured retail loans such as credit card receivables, specific allowances are determined collectively as a portfolio, taking into account historical loss experience of such loans.

Portfolio allowances are set aside based on our credit experiences and judgement for estimated inherent losses that may exist but have not been identified for any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors.

Our policy for loan allowances is guided by Financial Reporting Standard 39 ("FRS 39"), as modified by MAS Notice 612. A minimum 1% portfolio allowance on uncollateralised exposures is set aside in addition to specific allowances. We are working towards implementing Financial Reporting Standards 109 ("FRS 109") which replaces FRS 39 with effect from 1 January 2018.

Write-offs

Loans are written off against impairment allowances when the loss can be reasonably determined, i.e. after recovery action has been exhausted or when recovery prospects are deemed remote.

Ceasing of Interest Accrual on Loans

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

Collateral Held Against NPLs

Real estate in Singapore forms the main type of collateral for our NPLs. The realisable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Cross collateralisation will only apply when exposures are supported by proper legal documentation.

Responsible Financing

We recognise that promoting long-term sustainable development is fundamental to our continuing success. In this regard, we are committed to advancing environmental and social progress and to conducting our business in a responsible manner. In addition to including ESG assessment in our credit policy and implementing this as part of routine credit evaluation, we have rolled out the new Responsible Financing Framework, which has been approved by the BRMC. This Framework aims to fully integrate ESG considerations into our credit evaluation and risk decisioning process in a more structured and systematic manner, including reputational risk assessment.

Under this Framework, borrowers are subjected to initial ESG risk assessment and assigned an ESG risk rating. The risk rating depends on the extent in which the borrower is meeting our internal ESG requirements covering areas such as pollution prevention, biodiversity and legally protected areas, occupational health and safety. These requirements reference standards and conventions from organisations such as International Finance Corporation ("IFC"), United Nations ("UN") and International Labour Organisation ("ILO"). Further due diligence is required for borrowers who do not fully meet our ESG requirements.

Transactions with high ESG or reputational risk will be escalated to the Reputational Risk Review Group for review and clearance prior to credit approval. As a credit facility covenant, borrowers will be required to comply with the agreed ESG milestones. Regular ESG-related reporting will be submitted to the CEO and BRMC.

Relevant supporting policy and ESG risk assessment tools are in place for progressive rollout and implementation within the Group and our subsidiaries in 2017. While we do not have significant concentration in any of the high-risk sectors under the ABS Guidelines on Responsible Financing, we will be developing sector-specific policies for our top exposures in the next phase of our Responsible Financing Programme.

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations of such factors. At OCBC Group, we are exposed to market risks from our trading, client servicing and balance sheet management activities.

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

Market Risk Management Oversight and Organisation

The Market Risk Management Committee ("MRMC") is the senior management group that supports the CEO and BRMC in managing market risk. The MRMC establishes 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 supported by the Market Risk Management ("MRM") department within GRM. MRM is the independent risk-control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

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

Market Risk Identification

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

Market Risk Measurements

Value-At-Risk

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

Other Risk Measures

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

Stress Testing and Scenario Analyses

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

The table below provides a summary of the Group's trading VaR profile by risk types as at 31 December 2016 and 31 December 2015.

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. 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 and other measures are also used to manage market risk exposures holistically.

Model Validation

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

Back-testing

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

System and Infrastructure Upgrade

We completed a multi-year project aimed at improving reporting and measurement capabilities through technology upgrade and methodology enhancements. The scope of this project covers areas such as automation of daily stress tests with analytical capability, enhancements on accuracy, granularity and coverage of VaR elements as well as adding hardware capacity to meet further growth and reach. Group's market risk oversight of overseas entities was further strengthened with the implementation of strategic systems at OCBC Wing Hang and incorporation of Bank OCBC NISP market risk measures into Group reporting.

Asset Liability Management

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

Asset Liability Management Oversight and Organisation

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

The ALCO is supported by the Corporate Treasury department within the Group Finance Division. The Asset Liability Management ("ALM") department within GRM monitors the banking book interest rate, structural foreign exchange and liquidity risk profiles for the Group under both baseline and stressed scenarios.

Asset Liability Management Approach

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

Liquidity Risk

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

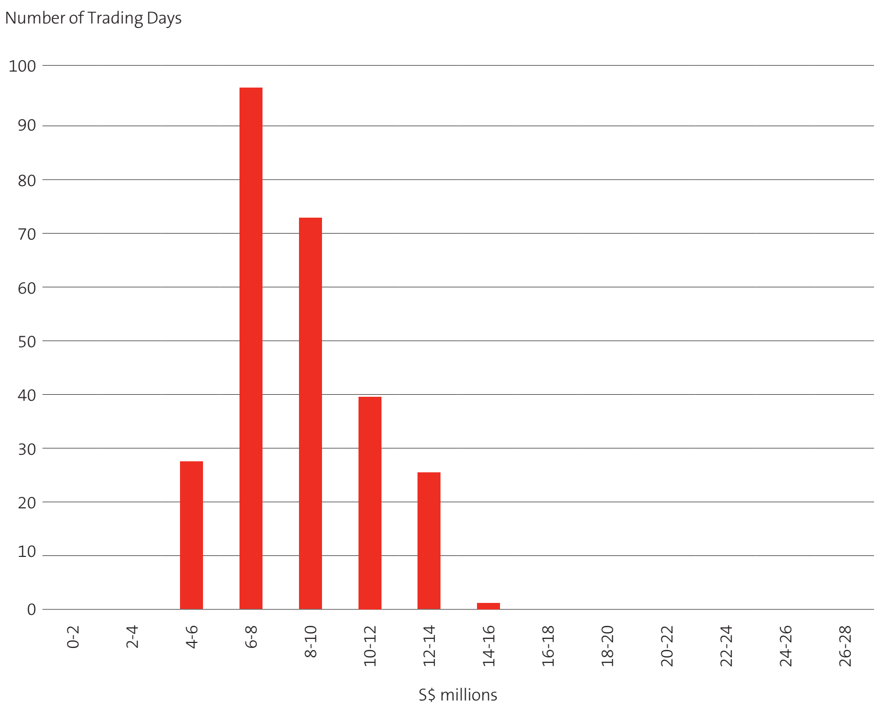
Our liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing and

VaR BY RISK TYPE – Trading Portfolio

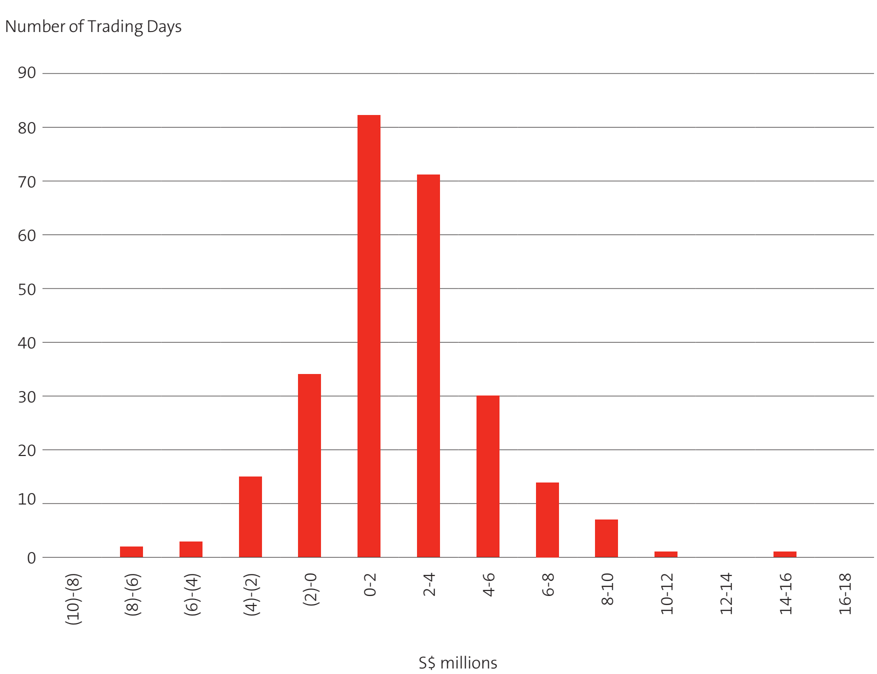
	2016				2015			
S$ millions	End of the period	Average	Minimum	Maximum	End of the period	Average	Minimum	Maximum
Interest Rate VaR	**3.64**	**3.86**	**2.45**	**6.73**	2.94	3.12	1.52	6.04
Foreign Exchange VaR	**7.69**	**7.10**	**2.34**	**13.53**	3.45	6.25	2.77	12.21
Equity VaR	**0.51**	**0.84**	**0.21**	**2.31**	0.64	1.16	0.30	2.65
Credit Spread VaR	**4.63**	**4.09**	**1.96**	**9.95**	2.26	3.00	2.19	7.10
Diversification Effect [1]	**-8.52**	**-7.38**	**NM**[2]	**NM**[2]	-4.67	-6.33	NM[2]	NM[2]
Aggregate VaR	**7.95**	**8.51**	**4.48**	**14.10**	4.62	7.20	3.41	14.26

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

Frequency distribution of Group Trading Book Daily Total VaR
(One Day Holding Period) for FY 2016



Frequency distribution of Group Trading Daily P&L
for FY 2016



refining contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed, and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors, products and geographies. In addition, liquid assets in excess of regulatory requirements are maintained 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.

We started daily regulatory reporting of our Group-wide Liquidity Coverage Ratio ("LCR"), except for OCBC Wing Hang Hong Kong, OCBC Wing Hang Macau and OCBC Yangon which will be included in due course. This daily reporting capability significantly improves our ability to manage liquidity risk. We are also in the process of implementing the regulatory reporting of Group-wide Net Stable Funding Ratio ("NSFR") by January 2018.

Interest Rate Risk

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

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

Limits and policies to manage interest rate exposures are established in line with the Group's strategy and risk appetite, and are appropriately approved and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from our net investment 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 wherever appropriate.

Other Risks

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

System and Infrastructure Upgrade

We continued with the automated liquidity and LCR footprint upgrade work in 2016 with coverage now extending to Bank of Singapore, Bank OCBC NISP and OCBC Wing Hang China operations. We are planning to expand the coverage to all other overseas locations over time.

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 also covers fiduciary, legal and regulatory as well as reputational risks.

The Group's operational risk management aims to manage both expected and unexpected losses, including those caused by catastrophic events. These twin goals enable us to pursue new business opportunities in a controlled manner.

Operational Risk Management Oversight and Organisation

The Operational Risk Management Committee ("ORC") is the senior management group that oversees the execution of our operational risk management, including technology and information security risk practices. ORC ensures that the various risk management programmes in place are appropriate and effective, and support our business strategy.

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

Operational Risk Management Approach

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

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

Senior management attests annually to the CEO, BRMC and Audit Committee regarding the adequacy and effectiveness of the internal control and risk management systems and also reports on key control deficiencies and accompanying remedial plans. Operational risk losses and incidents data trends are also analysed and reported regularly.

To mitigate 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.

Outsourcing Risk Management

We recognise the risks associated with outsourcing arrangements. As part of our outsourcing risk management programme, we have a multi-disciplinary outsourcing management group in place to manage outsourcing risks in a structured, systematic and consistent manner. We have also commenced the alignment of our outsourcing management process with the new MAS Guidelines on Outsourcing and enhanced the due diligence standards to address the changing outsourcing risk landscape. We are an active member in the ABS Outsourcing Advisory Committee which shapes the outsourcing industry through the ABS Guidelines on Control Objectives & Procedures for Outsourced Service Providers.

Physical and People Security Risk Management

We have a programme to ensure that physical and security risk to people and assets is adequately addressed. This includes having a unit to actively monitor and scan global events that may pose a risk to OCBC locations, employees and assets. This unit provides advisories and response procedures to better prepare the Bank and its employees against these risk events.

Business Continuity Risk Management

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

Fraud Risk Management
Our fraud risk management and whistle-blowing programmes help to prevent and detect fraud or misconduct. Fraud incident reports – including root cause analysis, extent of damage, supporting remedial actions and recovery steps for major incidents – are regularly reported to the ORC and BRMC. We enhanced our fraud detection capabilities during 2016 with the deployment of a Fraud Surveillance System and the formation of a Fraud Surveillance Unit. Group Audit independently reviews all fraud and whistle-blowing cases, and reports their findings to the Audit Committee.

Reputational Risk Management
Reputational risk is the current or 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 programme which focuses on understanding and managing our responsibilities towards our different stakeholders as well as protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management
We have a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, mitigation and monitoring 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 in place a 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.

Technology and Information Security Risk Management
Technology and information security ("TIS") risk management is an integral part of the ORM framework. We adopt a holistic approach to ensure that TIS risks are properly monitored, assessed, mitigated and reported. Appropriate controls are in place to ensure confidentiality, integrity, and availability of our information assets.

We strengthened our cyber defense capability during 2016 to counter the growing sophistication of cyber attacks. Additional controls against advanced malware threats, mitigation measures against DDoS attacks for critical internet services were implemented. We also raised our staff awareness and vigilance through regular awareness campaigns that included the use of test emails. As in previous years, we participated in industry-level exercise and stepped up collaboration with industry participants and government agencies to share intelligence and counter measures against new forms of cyber attacks.

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

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

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

We regularly invest in the Group-wide systems, upgrading or replacing them from time to time to strengthen our capabilities in customer risk management and transactions monitoring.

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

Pillar 3 Disclosures

(OCBC Group – As at 31 December 2016)

1. Introduction

The purpose of this document is to provide the information in accordance with Pillar 3 directives under Monetary Authority of Singapore ("MAS") Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. MAS Notice 637 mandates a minimum level of public disclosures to be made available to market participants to assist them in assessing the capital adequacy and risk profile of a bank.

For qualitative descriptions of OCBC Group's ("Group's") capital and risk management objectives and policies, and disclosures on remuneration, please refer to the Capital Management, Risk Management and Corporate Governance sections of the Annual Report.

2. Accounting and Regulatory Consolidation

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

- Subsidiaries that carry out insurance business are excluded from regulatory consolidation and are treated as investments in major stake companies. The regulatory adjustments applied to these investments are in accordance to MAS Notice 637 paragraphs 6.1.3(p), 6.2.3(e) and 6.3.3(e).
- As at 31 December 2016, the subsidiaries that carry out insurance business are as follows:
  a. The Great Eastern Life Assurance Company Limited and its insurance entities
  b. The Overseas Assurance Corporation Limited and its insurance entities
- As at 31 December 2016, the total equity of these insurance subsidiaries was S$7 billion and total assets were S$68 billion.

The basis of consolidation for financial reporting can be found in Note 2.2 in the Notes to the Financial Statements in the Annual Report.

3. Capital Adequacy

Disclosures on the Group's capital adequacy ratios and the capital positions for the Group's significant banking subsidiaries as at 31 December 2016 are presented in the Capital Management Chapter in the Annual Report as well as the Bank's Investor Relations website (http://www.ocbc.com/group/investors/index.html).

The capital adequacy information of the Group's significant banking subsidiaries as at 31 December 2016 were:

		Capital Adequacy Ratios		
S$ million	Total Risk Weighted Assets	Common Equity Tier 1	Tier 1	Total
OCBC Wing Hang Bank Limited	18,163	15.7%	15.7%	19.3%
OCBC Bank (Malaysia) Berhad	12,725	12.7%	15.0%	17.5%
PT Bank OCBC NISP Tbk	11,994	17.2%	17.2%	18.3%

The capital adequacy ratios of OCBC Wing Hang Bank Limited are computed in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority, and the ratios for OCBC Bank (Malaysia) Berhad are computed in accordance with the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia. PT Bank OCBC NISP Tbk computes their ratios based on the standardised approach under the Basel III framework.

Disclosures on the composition of the Group's regulatory capital, including reconciliation between balance sheet and regulatory capital elements, as well as terms and conditions and main features of capital instruments can be found under the Capital and Regulatory Disclosures sections of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

Disclosures on the Group's leverage ratio are presented in the Leverage Ratio section of the Financial Year 2016 Financial Results (http://www.ocbc.com/group/investors/index.html) and under the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

4. Credit Risk

4.1 Maximum Exposure to Credit Risk

S$ million	Period End	Average [3]
Credit risk exposure of on-balance sheet assets:		
Net loans and bills receivable	216,830 [1]	206,241
Placements with and loans to banks	39,801	39,524
Government treasury bills and securities	24,364	24,482
Debt securities	20,067	20,030
Assets pledged	1,789 [2]	1,805
Others	11,038	9,422
	313,889	301,504
Credit risk exposure of off-balance sheet items:		
Credit commitments	119,152	111,042
Contingent liabilities	11,145	9,404
	130,297	120,446
Total maximum credit risk exposure	**444,186**	**421,950**

[1] Net of specific allowances of $616 million and portfolio allowances of $2,241 million.
[2] Assets pledged comprise net loans and bills receivable of $465 million, placements with and loans to banks of $527 million, government treasury bills and securities of $2 million and debt securities of $795 million.
[3] Computed on a monthly average basis.

4.2 Geographic/Industry Distribution of Major Types of Credit Exposure

Gross Loans and Bills Receivable [1]

Analysed by Geography

	S$ million
Singapore	93,580
Malaysia	27,948
Indonesia	18,138
Greater China	53,997
Other Asia Pacific	11,988
Rest of the World	14,501
Total	**220,152**

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

[1] Includes assets pledged of $465 million.

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	8,974
Manufacturing	12,697
Building and construction	35,632
Housing	60,149
General commerce	25,348
Transport, storage and communication	11,520
Financial institutions, investment and holding companies	30,491
Professionals and individuals	26,396
Others	8,945
Total	**220,152**

[1] Includes assets pledged of $465 million.

Placements with and Loans to Banks [1]

Analysed by Geography

	S$ million
Singapore	589
Malaysia	4,722
Indonesia	1,036
Greater China	25,423
Other Asia Pacific	4,110
Rest of the World	3,778
Balances with banks	39,658
Bank balances of life assurance fund	670
Total	**40,328**

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

[1] Includes assets pledged of $527 million.

Government Treasury Bills and Securities [1]

Analysed by Geography

	S$ million
Singapore	8,066
Malaysia	2,397
Indonesia	2,731
Greater China	1,680
Other Asia Pacific	5,945
Rest of the World	3,547
Total	**24,366**

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

[1] Includes assets pledged of $2 million.

Debt Securities [1]

Analysed by Geography

	S$ million
Singapore	3,376
Malaysia	1,823
Indonesia	1,019
Greater China	7,723
Other Asia Pacific	4,483
Rest of the World	2,438
Total	**20,862**

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

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	1,082
Manufacturing	1,296
Building and construction	2,327
General commerce	582
Transport, storage and communication	1,346
Financial institutions, investment and holding companies	12,406
Others	1,823
Total	**20,862**

(1) Includes assets pledged of $795 million.

Credit Commitments

Analysed by Geography

	S$ million
Singapore	89,973
Malaysia	7,010
Indonesia	4,754
Greater China	13,847
Other Asia Pacific	1,655
Rest of the World	1,913
Total	**119,152**

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

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	1,362
Manufacturing	8,576
Building and construction	12,415
General commerce	15,742
Transport, storage and communication	3,084
Financial institutions, investment and holding companies	29,254
Professionals and individuals	41,906
Others	6,813
Total	**119,152**

4.3 Residual Contractual Maturity of Major Types of Credit Exposure

On-Balance Sheet Assets

S$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Net loans and bills receivable	15,717	25,724	16,172	24,713	38,003	96,966	217,295 [1]
Placements with and loans to banks	6,756	5,646	10,716	15,388	752	400	39,658 [2]
Government treasury bills and securities	260	1,021	3,288	7,441	8,142	4,214	24,366 [3]
Debt securities	173	726	1,861	4,377	6,194	7,531	20,862 [4]

(1) Includes assets pledged of $465 million.
(2) Includes assets pledged of $527 million and excludes bank balances of life assurance fund.
(3) Includes assets pledged of $2 million.
(4) Includes assets pledged of $795 million.

Credit Commitments

	S$ million
Undrawn credit facilities:	
Term to maturity of one year or less	102,378
Term to maturity of more than one year	16,774
Total	**119,152**

4.4 Credit Quality of Loan Portfolio, Non-Performing Loans, Past-Due Loans, Impairment Allowances

Total Loans and Advances – Credit Quality

	S$ million
Neither past due nor impaired	215,778
Not impaired	2,737
Impaired	1,505
Past due loans	4,242
Impaired but not past due	132
Gross loans	**220,152**
Specific allowances	(616)
Portfolio allowances	(2,241)
Net loans	**217,295**

Non-Performing Loans

Analysed by Geography

S$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
Substandard	351	485	433	219	360	1,848
Doubtful	245	78	118	79	28	548
Loss	149	44	138	56	#	387
Total	**745**	**607**	**689**	**354**	**388**	**2,783**

represents amounts less than $0.5 million.

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

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	152
Manufacturing	254
Building and construction	94
Housing	406
General commerce	376
Transport, storage and communication	608
Financial institutions, investment and holding companies	435
Professionals and individuals	170
Others	288
Total	**2,783**

Analysed by Period Overdue

	S$ million
Over 180 days	1,484
Over 90 days to 180 days	337
30 days to 90 days	249
Less than 30 days	288
Past due	**2,358**
No overdue	425
Total	**2,783**

Past-Due Loans

Analysed by Industry

	S$ million
Agriculture, mining and quarrying	130
Manufacturing	352
Building and construction	138
General commerce	389
Transport, storage and communication	570
Financial institutions, investment and holding companies	452
Professionals and individuals (include housing)	1,802
Others	409
Total	**4,242**

Analysed by Geography

	S$ million
Singapore	1,638
Malaysia	649
Indonesia	890
Greater China	769
Rest of the World	296
Total	**4,242**

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

Loans Past Due but Not Impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis.

Analysed by Period Overdue

	S$ million
Past due	
Less than 30 days	1,122
30 to 90 days	944
Over 90 days	671
Past due but not impaired	**2,737**

Impairment Allowances for Loans and Bills Receivable

Analysed by Geography

S$ million	Specific allowances	Portfolio allowances
Singapore	233	847
Malaysia	121	385
Indonesia	175	288
Greater China	71	521
Other Asia Pacific	16	110
Rest of the World	#	90
Total	**616**	**2,241**

\# represents amounts less than $0.5 million.

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

Analysed by Industry

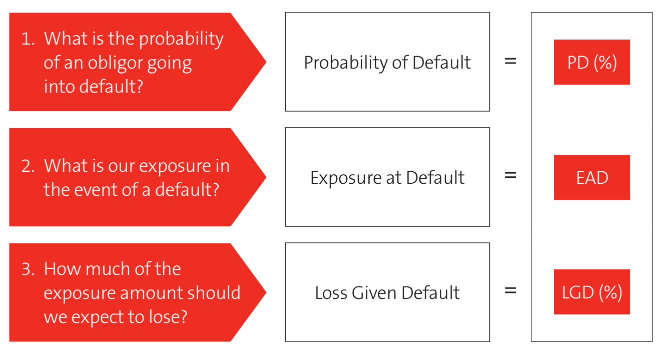
S$ million	Cumulative specific allowances	Net specific allowances charged to income statements
Agriculture, mining and quarrying	15	22
Manufacturing	83	62
Building and construction	39	11
Housing	44	16
General commerce	99	76
Transport, storage and communication	116	97
Financial institutions, investment and holding companies	87	84
Professionals and individuals	90	77
Others	43	39
Total	**616**	**484**

Reconciliation of Changes in Impairment Allowances

S$ million	Specific Allowances
At 1 January 2016	360
Currency translation	7
Bad debts written off	(221)
Recovery of amounts previously provided for	(55)
Allowances for loans	539
Net allowances charged to income statements	484
Interest recognition on impaired loans	(18)
Transfer from other assets	4
At 31 December 2016	**616**

S$ million	Portfolio Allowances
At 1 January 2016	2,060
Currency translation	9
Allowances charged to income statements	172
At 31 December 2016	**2,241**

Key Parameters Used To Quantify Credit Risk



4.5 Exposures and Risk Weighted Assets ("RWA") by Portfolio

S$ million	EAD	RWA
Credit Risk		
Standardised Approach		
Corporate	19,411	18,507
Sovereign	36,750	1,971
Bank	7,140	2,466
Retail	5,649	4,243
Residential Mortgage	13,026	5,001
Commercial Real Estate	10,048	10,053
Fixed Assets	3,996	3,996
Others	7,194	6,377
Total Standardised	103,214	52,614
Internal Ratings- Based (IRB) Approach		
Foundation IRB		
Corporate	112,318	75,109
Bank	50,025	8,886
Advanced IRB		
Residential Mortgage	54,779	5,999
Qualifying Revolving Retail	6,247	1,591
Small Business	6,935	2,564
Other Retail	1,208	133
Specialised Lending under Supervisory Slotting Criteria	1,395	1,688
Securitisation	–	–
Equity	1,620	5,600
Total IRB	234,527	101,570
Central Counterparties (CCP)	2,462	330 [(1)]
Credit Valuation Adjustments (CVA)		1,740 [(2)]
Credit RWA pursuant to paragraph 6.1.3(p)(iii)		8,066 [(3)]
Total Credit Risk	340,203	164,320
Market Risk		
Standardised Approach		20,186
Operational Risk		
Standardised Approach		10,884
Basic Indicator Approach		2,373
Total Operational Risk		13,257
Total RWA		**197,763**

(1) Refers to Credit RWA for exposures to central clearing houses that act as the intermediary for counterparties of contracts traded in financial markets.

(2) Refers to Credit RWA for adjustments to the mark-to-market valuation of the Over-the-Counter (OTC) derivatives with a counterparty.

(3) Refers to Credit RWA for investments in the ordinary shares of Unconsolidated Major Stake Companies within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii).

4.6 Credit Exposures under Standardised Approach

Credit exposures under the standardised approach comprise mainly exposures to sovereigns, exposures from major subsidiaries such as OCBC Wing Hang, OCBC NISP and Bank of Singapore, as well as fixed assets. Rated exposures relate mainly to debt securities, corporate and sovereign portfolios while unrated exposures relate mainly to individuals and fixed assets.

Risk Weight	EAD S$ million	RWA S$ million
0%	34,032	–
10% - 40%	17,995	5,426
50% - 99%	11,124	7,079
100%	39,971	39,971
>100%	92	138
Total	**103,214**	**52,614**
Rated exposures	54,916	15,156
Unrated exposures	48,298	37,458

4.7 Credit Exposures subject to Supervisory Risk Weights under Internal Ratings-Based Approach

Equity Exposures under IRB Approach

Equities for regulatory capital computation are risk weighted and/or deducted from capital in accordance with MAS Notice 637 under IRB Approach. Equity exposures of S$3 million have been deducted from regulatory capital.

	IRB Approach			
	(SRW)		(PD/LGD)	
	EAD S$ million	Average Risk Weight %	EAD S$ million	Average Risk Weight %
Listed securities	1,249	318%	–	–
Other equity holdings	276	424%	95	483%
Total	1,525	337%	95	483%

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project, object and commodity financing.

	EAD S$ million	Average Risk Weight
Strong	–	NA
Good	–	NA
Satisfactory	1,203	122%
Weak	83	265%
Default	109	NA
Total	**1,395**	**121%**

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

Corporate exposures are mainly exposures to corporate and institutional customers, major non-bank financial institutions, as well as financing of income-producing real estate. 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%	14,413	17%
> 0.05 to 0.5%	41,702	44%
> 0.5 to 2.5%	41,610	85%
> 2.5 to 9%	10,263	138%
> 9%	2,415	189%
Default	1,915	NA
Total	**112,318**	**67%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	38,724	10%
> 0.05 to 0.5%	8,457	41%
> 0.5 to 2.5%	2,745	55%
> 2.5 to 9%	73	145%
> 9%	26	212%
Default	#	NA
Total	**50,025**	**18%**

represents amounts less than $0.5 million.

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

Residential Mortgages are loans that are granted to individuals and secured by residential properties. Qualifying Revolving Retail exposures are revolving unsecured loans to individuals e.g. credit cards. Small Business exposures include lending to small businesses and commercial property loans to individuals in Singapore and Malaysia. Other Retail exposures are mainly auto loans in Singapore.

Residential Mortgages

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	41,141	3,674	11%	6%
> 0.5 to 3%	10,957	963	11%	18%
> 3 to 10%	1,122	42	12%	48%
> 10%	1,146	23	12%	64%
Default	413	17	15%	79%
Total	**54,779**	**4,719**	**11%**	**11%**

Qualifying Revolving Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	4,521	7,632	81%	6%
> 0.5 to 3%	1,064	1,079	79%	39%
> 3 to 10%	495	265	83%	115%
> 10%	140	62	85%	234%
Default	27	–	82%	0%
Total	**6,247**	**9,038**	**81%**	**25%**

Small Business Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	4,068	1,051	32%	17%
> 0.5 to 3%	1,783	143	38%	46%
> 3 to 10%	473	26	44%	69%
> 10%	439	12	43%	94%
Default	172	9	52%	194%
Total	**6,935**	**1,241**	**36%**	**37%**

Other Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	1,090	36	14%	5%
> 0.5 to 3%	46	9	50%	61%
> 3 to 10%	60	8	39%	62%
> 10%	10	#	47%	110%
Default	2	–	44%	35%
Total	**1,208**	**53**	**17%**	**11%**

represents amounts less than $0.5 million.

4.10 Actual Loss and Expected Loss for Exposures under Foundation and Advanced IRB Approach

Actual loss refers to net impairment loss allowance and direct write-off to the income statement during the year. Expected loss ("EL") represents model derived and/or regulatory prescribed estimates of future loss on potential defaults over a one-year time horizon. Comparison of the two measures has limitations because they are calculated using different methods. EL computations are based on LGD and EAD estimates that reflect downturn economic conditions and regulatory minimums, and PD estimates that reflect long run through-the-cycle approximation of default rates. Actual loss is based on accounting standards and represents the point-in-time impairment experience for the financial year.

S$ million	Actual Loss for the 12 months ended 31 December 2016	Regulatory Expected Loss (Non-defaulted) as at 31 December 2015
Corporate	289	436
Bank	–	33
Small Business	30	83
Retail	49	145
Total	**368**	**697**

4.11 Exposures Covered by Credit Risk Mitigation [1]

S$ million	Eligible Financial Collateral	Other Eligible Collateral	Amount by which exposures have been reduced by eligible credit protection
Standardised Approach			
Corporate	6,949	–	231
Sovereign and Bank	980	–	27
Retail and Residential Mortgage	470	–	425
Others	7,295	–	1
Total	**15,694**	**–**	**684**
Foundation IRB Approach			
Corporate	3,284	14,422	1,542
Bank	2,991	–	27
Total	**6,275**	**14,422**	**1,569**

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

4.12 Counterparty Credit Risk Exposures

Net Derivatives Exposure

	S$ million
Replacement Cost	6,037
Potential Future Exposure	5,364
Less: Effects of Netting	5,357
EAD under Current Exposure Method	**6,044**
Analysed by type:	
Foreign Exchange Contracts	4,762
Interest Rate Contracts	926
Equity Contracts	140
Gold and Precious Metals Contracts	#
Other Commodities Contracts	3
Credit Derivative Contracts	213
Less: Eligible Financial Collateral	1,215
Other Eligible Collateral	–
Net Derivatives Credit Exposure	**4,829**

represents amounts less than $0.5 million.

Credit Derivatives Exposure

	S$ million Notional Amount	
	Bought	Sold
Credit Default Swaps		
for own credit portfolio	7,912	7,120
for intermediation activities	65	65
Total	**7,977**	**7,185**

4.13 Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 31 December 2016.

5. Market Risk

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	772
Equity position risk	41
Foreign exchange risk	801
Commodity risk	1
Total	**1,615**

6. Equity Exposures in Banking Book

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

Equity exposures comprise equity securities categorised as "Available-for-sale" (AFS) and investments in associates. 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 assets of the associates.

Equity exposures categorised and measured in accordance with Singapore Financial Reporting 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	1,866
Unquoted equity exposure - AFS	798
Quoted equity exposure - Associates	1,893
Unquoted equity exposure - Associates	502
Total	**5,059**

Realised and Unrealised Gains and Losses

	S$ million
Gains/(losses) from disposal of AFS equities	78
Unrealised gains/(losses) included in fair value reserve	238
Total	**316**

7. Interest Rate Risk in The Banking Book

A description of the nature of interest rate risk in the banking book and key assumptions made by the Group can be found in Note 39.3 in the Notes to the Financial Statements in the Annual Report.

Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $580 million, or approximately +11.5% of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $522 million in net interest income, or approximately -10.3% of reported net interest income.

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OVERVIEW

	2016	2015	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**5,052**	5,189	(3)
Non-interest income	**3,437**	3,533	(3)
Total income	**8,489**	8,722	(3)
Operating expenses	**(3,788)**	(3,664)	3
Operating profit before allowances and amortisation	**4,701**	5,058	(7)
Amortisation of intangible assets	**(96)**	(98)	(1)
Allowances for loans and impairment of other assets	**(726)**	(488)	49
Operating profit after allowances and amortisation	**3,879**	4,472	(13)
Share of results of associates	**396**	353	13
Profit before income tax	**4,275**	4,825	(11)
Net profit attributable to shareholders	**3,473**	3,903	(11)
Cash basis net profit attributable to shareholders [1]	**3,569**	4,001	(11)
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**35,507**	33,053	7
Total equity (excluding non-controlling interests)	**37,007**	34,553	7
Total assets	**409,884**	390,190	5
Assets excluding life assurance fund investment assets	**347,911**	333,207	4
Loans and bills receivable (net of allowances)	**216,830**	208,218	4
Deposits of non-bank customers	**261,486**	246,277	6
Per Ordinary Share			
Basic earnings (cents) [2]	**82.2**	95.2	
Basic earnings – Cash basis (cents) [2]	**84.5**	97.6	
Diluted earnings (cents) [2]	**82.2**	95.1	
Net asset value – Before valuation surplus (S$)	**8.49**	8.03	
Net asset value – After valuation surplus (S$)	**10.03**	9.59	
Key Financial Ratios (%)			
Return on equity [2][3]	**10.0**	12.3	
Return on equity – Cash basis [2][3]	**10.3**	12.6	
Return on assets [4]	**1.03**	1.14	
Return on assets – Cash basis [4]	**1.06**	1.17	
Net interest margin	**1.67**	1.67	
Non-interest income to total income	**40.5**	40.5	
Cost-to-income	**44.6**	42.0	
Loans-to-deposits	**82.9**	84.5	
NPL ratio	**1.3**	0.9	
Total capital adequacy ratio [5]	**17.1**	16.8	
Tier 1 ratio [5]	**15.1**	14.8	
Common Equity Tier 1 [5]	**14.7**	14.8	
Leverage ratio [6]	**8.2**	8.0	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on net profit less preference dividends and distributions on other equity instruments paid and estimated to be due at the end of the financial year.
(3) Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
(5) Capital adequacy ratios are computed based on Basel III transitional arrangements.
(6) Leverage ratio is computed based on the revised MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore, which took effect on 1 January 2015.

Amounts less than S$0.5 million are shown as "0".

The Group reported a net profit after tax of S$3.47 billion for the financial year ended 31 December 2016. Against a strong prior year performance, which included a substantial investment gain from insurance subsidiary Great Eastern Holdings ("GEH"), net profit after tax was 11% lower. The decline in earnings was also driven by a rise in net allowances and lower trading and insurance income, which more than offset the impact of strong wealth management fee income growth and increased contributions from our Indonesia and Hong Kong banking subsidiaries.

The full year earnings also included the one month consolidated results of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong ("Barclays WIM") which was acquired by Bank of Singapore ("BOS") at the end of November 2016. Assets under management ("AUM") of US$13 billion were transferred to BOS for a consideration of US$228 million. The one month profit contribution was not material relative to the Group's 2016 earnings.

The Group's full year net interest income fell 3% from the previous year to S$5.05 billion, mainly from a decline in average interest earning assets, led by a drop in interbank placements. Net interest margin of 1.67% was unchanged year-on-year.

Non-interest income of S$3.44 billion was 3% lower as compared to a year ago. Fee and commission income was stable year-on-year at S$1.64 billion, as higher wealth management fees were offset by lower income from brokerage and investment banking activities. Net trading income was 4% lower at S$529 million from a year ago, largely due to a decline in non-customer flow income. Net realised gains from the sale of investment securities of S$198 million were 3% below S$204 million in the previous year, which included a S$136 million realised pre-tax gain from the sale of an investment in GEH's equity portfolio. GEH continued to report robust underlying insurance business growth; however, profit from life assurance of S$499 million declined 21% as a result of higher costs associated with strong sales growth, a rise in medical claims and mark-to-market losses as result of interest rate movements in its Non-participating Fund.

Full year operating expenses for the Group were S$3.79 billion, a modest increase of 3% from a year ago. The Group's cost-to-income ratio was 44.6% as compared to 42.0% in the previous year. Excluding the consolidation of Barclays WIM and the associated integration expenses, operating expenses were 2% higher than 2015, which reflected overall continued cost discipline and tightly controlled headcount growth. Allowances for loans and other assets of S$726 million were higher than S$488 million a year ago, mainly led by an increase in specific allowances for corporate accounts in the oil and gas support services sector which the Group has been closely monitoring.

The Group's share of results of associates in 2016 rose 13% to S$396 million from S$353 million a year ago, mainly due to higher contributions from associated companies Bank of Ningbo and AVIC Trust Co Limited.

The Group's return on equity was 10.0%, down from 12.3% in 2015 while earnings per share for the full year was 82.2 cents, as compared to 95.2 cents a year ago.

The operating environment in 2016 continued to be challenging and the Group remained vigilant in closely monitoring the portfolio for early signs of weakness. While the overall credit quality of the portfolio remained sound, the uncertain outlook and depressed oil prices particularly impacted the oil and gas support services sector. The Group undertook steps to pro-actively classify several related accounts for close monitoring, and assisted customers to reschedule and restructure their loans.

Total net allowances for loans and other assets were S$726 million in 2016, as compared to S$488 million a year ago. Net specific allowances for loans rose to S$484 million from S$232 million in 2015, mainly from the abovementioned oil and gas support services sector related accounts. Given the weaker operating outlook, portfolio allowances of S$172 million were set aside. Nonetheless, the Group continued to retain a healthy coverage ratio, with total cumulative allowances covering 303% of unsecured non-performing assets ("NPAs") and 100% of total NPAs.

As at 31 December 2016, the absolute NPAs were S$2.89 billion, up from S$2.04 billion in 2015. New NPA formation was S$2.29 billion, higher than S$1.95 billion of the prior year, while net recoveries and upgrades of S$1.16 billion were also above S$0.96 billion a year ago. The year-on-year net increase in NPAs mainly comprised corporate accounts in the oil and gas support services sector, which drove the rise in the non-performing loans ("NPL") ratio to 1.3%, from 0.9% a year ago.

The Group continued to maintain a strong funding position and was well-capitalised. As at the end of 31 December 2016, customer loans of S$220 billion were 5% (3%, excluding consolidation of Barclays WIM) above S$211 billion of the previous year, driven by housing loans and other consumer-related loans, and loans to the building and construction sector. Customer deposits rose 6% to S$261 billion, and represented 80% of the Group's funding composition. The growth in deposits was driven by an 11% rise in current account and savings ("CASA") deposits, and the CASA to total non-bank deposits ratio improved to 51.1% from 48.9% a year ago. The loans-to-deposit ratio was 82.9% as compared to 84.5% a year ago.

The Group's average Singapore dollar and all-currency liquidity coverage ratios (excluding OCBC Wing Hang which will be included in due course) were 284% and 145% respectively for the fourth quarter of 2016, above the respective regulatory ratios of 100% and 70%.

Management Discussion and Analysis

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR") as at 31 December 2016, was 14.7% and Tier 1 CAR and Total CAR were 15.1% and 17.1% respectively. Based on Basel III transitional arrangements, these ratios remained well above the respective regulatory minima of 6.5%, 8% and 10%. In addition to these minimum capital requirements, a capital conservation buffer ("CCB") of 2.5% and countercyclical buffer of up to 2.5% will be phased in from 2016 to 2019. The CCB was 0.625% as at 1 January 2016, and will be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 8.2% was above the 3% minimum requirement as guided by the Basel Committee.

GEH achieved strong growth in its underlying insurance business in 2016, as reflected by total weighted new sales growth of 11% and a 22% increase in new business embedded value ("NBEV"), with its NBEV margin improved to 43.6% from 39.5% in 2015. GEH's net profit after tax for the year was S$589 million. This was lower than S$785 million in 2015, which had included a post-tax gain from the sale of an equity investment of S$120 million (the Group's share of net profit after tax and non-controlling interest was S$105 million). The year-on-year decline in earnings was also attributed to a rise in costs linked to increased sales volumes, higher medical claims and mark-to-market losses in GEH's Non-participating Fund. GEH's net profit after tax contribution to the Group was S$470 million, which represented 14% of the Group earnings in 2016.

OCBC Bank Malaysia's full year net profit after tax of RM808 million (S$270 million) declined 8%, from lower income and increased operating expenses, which was partially offset by a decline in net allowances. As at 31 December 2016, customer loans of RM69 billion (S$22 billion) were 2% lower as compared to a year ago, while the NPL ratio was relatively stable at 2.2%. OCBC Bank Malaysia's contribution to the Group's 2016 earnings amounted to 8%.

Bank OCBC NISP posted another year of robust growth. Net profit after tax of IDR1,790 billion (S$186 million) was 19% higher than the previous year, driven by broad-based income growth. Total customer loans were up 9% over the previous year at IDR93 trillion (S$10 billion), while the NPL ratio was 1.9%. As a proportion of the Group's overall earnings, Bank OCBC NISP represented 4% of the overall net profit after tax.

OCBC Wing Hang's full year net profit after tax contribution to the Group was HK$1.77 billion (S$315 million) which was 2% higher than 2015 and accounted for 9% of the Group's net profit after tax. As at 31 December 2016, customer loans rose 6% to HK$163 billion (S$30 billion), while the NPL ratio stood at 0.9%.

As at 31 December 2016, BOS' AUM were US$79 billion (S$115 billion), which included the AUM transferred from Barclays WIM of US$13 billion. Against the AUM of US$55 billion (S$77 billion) from a year ago, this represented an increase of 45%. BOS' earning asset base, which are secured and included loans from Barclays WIM, rose 43% to US$97 billion (S$140 billion) from US$68 billion (S$96 billion) the previous year.

The Group's 2016 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, was S$2.27 billion and represented 27% of the Group's total income in 2016.

The Board has proposed a final tax-exempt dividend of 18 cents per share, bringing the 2016 total dividend to 36 cents per share, unchanged from 36 cents in 2015. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total dividend payout will amount to S$1.51 billion, representing 43% of the Group's core underlying net profit in 2016.

Net Interest Income

Average Balance Sheet

	2016			2015		
	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	**206,622**	**6,527**	**3.16**	208,012	6,501	3.13
Placements with and loans to banks	**50,596**	**772**	**1.52**	58,312	845	1.45
Other interest earning assets [(1)]	**45,631**	**1,069**	**2.34**	44,101	1,140	2.59
Total	**302,849**	**8,368**	**2.76**	310,425	8,486	2.73
Interest bearing liabilities						
Deposits of non-bank customers	**247,818**	**2,723**	**1.10**	249,966	2,731	1.09
Deposits and balances of banks	**13,252**	**124**	**0.94**	15,853	134	0.84
Other borrowings [(2)]	**21,678**	**469**	**2.16**	27,017	432	1.60
Total	**282,748**	**3,316**	**1.17**	292,836	3,297	1.13
Net interest income/margin [(3)]		**5,052**	**1.67**		5,189	1.67

Net interest income declined 3% to S$5.05 billion in 2016, from S$5.19 billion a year ago, mainly from a decline in average interest earning assets. Net interest margin for 2016 was stable at 1.67%.

(1) Comprise corporate debt and government securities.
(2) Mainly debt issued.
(3) Net interest margin is net interest income as a percentage of interest earning assets.

Net Interest Income (continued)

Volume and Rate Analysis

Increase/(decrease) for 2016 over 2015 due to change in:	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	(43)	69	26
Placements with and loans to banks	(112)	39	(73)
Other interest earning assets	40	(111)	(71)
Total	(115)	(3)	(118)
Interest expense			
Deposits of non-bank customers	(23)	15	(8)
Deposits and balances of banks	(22)	12	(10)
Other borrowings	(85)	122	37
Total	(130)	149	19
Impact on net interest income	15	(152)	(137)
Net interest income			(137)

Non-Interest Income

	2016 S$ million	2015 S$ million	+/(-) %
Fees and commissions			
Brokerage	**65**	87	(26)
Wealth management [1]	**588**	570	3
Fund management [1]	**99**	87	14
Credit card	**159**	138	15
Loan-related	**304**	311	(2)
Trade-related and remittances	**209**	224	(7)
Guarantees	**20**	21	(6)
Investment banking	**63**	86	(27)
Service charges	**95**	83	16
Others [1]	**36**	36	2
Sub-total	**1,638**	1,643	–
Dividends	**101**	93	9
Rental income	**91**	100	(10)
Profit from life assurance	**499**	630	(21)
Premium income from general insurance	**150**	151	–
Other income			
Net trading income	**529**	552	(4)
Net gain from investment securities	**198**	204	(3)
Net (loss)/ gain from disposal of interests in subsidiaries and associates	**(18)**	3	(768)
Net gain from disposal of properties	**161**	66	143
Others	**88**	91	(3)
Sub-total	**958**	916	5
Total non-interest income	**3,437**	3,533	(3)
Fees and commissions/Total income	**19.3%**	18.8%	
Non-interest income/Total income	**40.5%**	40.5%	

(1) Comparative figures have been restated to conform with the current year's presentation.

Management Discussion and Analysis

Non-Interest Income (continued)

Non-interest income in 2016 was S$3.44 billion, and was 3% lower as compared to S$3.53 billion a year ago.

Fee and commission income was stable at S$1.64 billion, as strong wealth management fee growth was offset by lower brokerage and investment banking income. Net trading income of S$529 million was 4% lower from S$552 million a year ago, mainly as a result of lower non-customer flow income. Dividend income was S$101 million for 2016 as compared to S$93 million a year ago, and net gains from the sale of properties of S$161 million were higher from S$66 million in 2015. Net realised gains from the sale of investment securities were S$198 million for the year, down 3% from S$204 million in 2015 which included a S$136 million realised gain from the sale of an investment in GEH's equity portfolio. Profit from life assurance was 21% lower at S$499 million as compared to S$630 million, mainly from higher medical claims and mark-to-market losses in its Non-participating Fund as a result of interest rate movements.

Operating Expenses

	2016 S$ million	2015 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**2,128**	2,054	4
Share-based expenses	**51**	38	32
Contribution to defined contribution plans	**168**	162	4
	2,347	2,254	4
Property and equipment			
Depreciation	**308**	293	5
Maintenance and hire of property, plant & equipment	**117**	112	4
Rental expenses	**100**	97	3
Others	**238**	235	1
	763	737	4
Other operating expenses	**678**	673	1
Total operating expenses	**3,788**	3,664	3
Group staff strength			
Period end	**29,792**	29,847	–
Average	**30,037**	29,601	1
Cost-to-income ratio	**44.6%**	42.0%	

Operating expenses rose 3% to S$3.79 billion in 2016, up from S$3.66 billion a year ago, reflecting continued cost discipline and controlled headcount growth, as well as costs associated with the acquisition of Barclays WIM. Excluding the consolidation of Barclays WIM, operating expenses were up 2% from the previous year. Staff costs were up 4% to S$2.35 billion, from S$2.25 billion in 2015, from a combination of the Barclays WIM consolidation, higher base salaries and incentive compensation. Property and equipment-related expenses were S$763 million, an increase of 4% from S$737 million a year ago, mainly as a result of higher depreciation and technology-related costs.

The cost-to-income ratio was 44.6% in 2016, as compared to 42.0% a year ago.

Allowances for Loans and Other Assets

	2016 S$ million	2015 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**208**	71	192
Malaysia	**72**	81	(11)
Greater China	**47**	37	26
Others	**157**	43	265
	484	232	109
Portfolio allowances for loans	**172**	177	(3)
Allowances and impairment charges for other assets	**70**	79	(12)
Allowances for loans and impairment of other assets	**726**	488	49

Allowances for loans and other assets were S$726 million in 2016, an increase as compared to S$488 million a year ago.

Specific allowances for loans, net of recoveries and writebacks were S$484 million for the year, higher as compared to S$232 million in 2015, with the increase coming mainly from corporate accounts in the oil and gas support services sector that the Group has been closely monitoring. Net specific allowances were 23 basis points of loans. Portfolio allowances for loans were S$172 million in 2016.

Loans and Advances

	2016 S$ million	2015 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**8,974**	7,394	21
Manufacturing	**12,697**	13,222	(4)
Building and construction	**35,632**	34,407	4
Housing loans	**60,149**	56,058	7
General commerce	**25,348**	26,128	(3)
Transport, storage and communication	**11,520**	12,360	(7)
Financial institutions, investment and holding companies	**30,491**	27,463	11
Professionals and individuals	**26,396**	23,464	12
Others	**8,945**	10,169	(12)
	220,152	210,665	5
By Currency			
Singapore Dollar	**81,260**	80,496	1
United States Dollar	**56,576**	49,408	15
Malaysian Ringgit	**20,552**	21,273	(3)
Indonesian Rupiah	**7,486**	6,511	15
Hong Kong Dollar	**30,339**	29,457	3
Chinese Renminbi	**5,182**	7,509	(31)
Others	**18,757**	16,011	17
	220,152	210,665	5
By Geography [1]			
Singapore	**93,580**	87,540	7
Malaysia	**27,948**	28,599	(2)
Indonesia	**18,138**	17,216	5
Greater China	**53,997**	56,416	(4)
Other Asia Pacific	**11,988**	10,644	13
Rest of the World	**14,501**	10,250	41
	220,152	210,665	5

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

Gross loans to customers were S$220 billion as at 31 December 2016, an increase of 5% from S$211 billion a year ago. In constant currency terms, customer loans grew 4% year-on-year. By industry, the year-on-year loan growth was driven by housing and other consumer-related loans, and loans to the building and construction sector.

Management Discussion and Analysis

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							
2016	**800**	**404**	**248**	**148**	**68.3**	**745**	**0.8**
2015	545	337	113	95	78.8	545	0.6
Malaysia							
2016	**610**	**485**	**81**	**44**	**79.5**	**607**	**2.2**
2015	732	628	77	27	85.8	707	2.5
Indonesia							
2016	**691**	**433**	**120**	**138**	**67.0**	**689**	**3.8**
2015	400	316	10	74	36.1	400	2.3
Greater China							
2016	**389**	**219**	**114**	**56**	**40.2**	**354**	**0.7**
2015	241	74	112	55	80.5	207	0.4
Other Asia Pacific							
2016	**326**	**301**	**25**	**–**	**67.6**	**326**	**2.7**
2015	80	80	–	–	61.9	80	0.7
Rest of the World							
2016	**70**	**60**	**9**	**1**	**88.5**	**62**	**0.4**
2015	41	21	19	1	21.0	30	0.3
Group							
2016	**2,886**	**1,902**	**597**	**387**	**67.0**	**2,783**	**1.3**
2015	2,039	1,456	331	252	71.3	1,969	0.9

(1) Comprise non-bank loans, debt securities and contingent liabilities.
(2) Exclude debt securities and contingent liabilities.

Non-performing assets ("NPAs") were S$2.89 billion as at 31 December 2016, an increase of 42% from S$2.04 billion a year ago. The increase in NPAs was mainly from the classification of a few large corporate accounts associated with the oil and gas services sector.

The Group's NPL ratio was 1.3%, an increase from 0.9% a year ago. Of the total NPAs, 66% were in the substandard category and 67% were secured by collateral.

Non-Performing Assets (continued)

	2016		2015	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**152**	**1.7**	337	4.6
Manufacturing	**254**	**2.0**	428	3.2
Building and construction	**94**	**0.3**	105	0.3
Housing loans	**406**	**0.7**	278	0.5
General commerce	**376**	**1.5**	194	0.7
Transport, storage and communication	**608**	**5.3**	274	2.2
Financial institutions, investment and holding companies	**435**	**1.4**	197	0.7
Professionals and individuals	**170**	**0.6**	129	0.6
Others	**288**	**3.2**	27	0.3
Total NPLs	**2,783**	**1.3**	1,969	0.9
Classified debt securities	**80**		40	
Classified contingent liabilities	**23**		30	
Total NPAs	**2,886**		2,039	

	2016		2015	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**1,528**	**53**	590	29
Over 90 to 180 days	**337**	**12**	378	19
30 to 90 days	**248**	**9**	284	14
Less than 30 days	**323**	**11**	206	10
Not overdue	**450**	**15**	581	28
	2,886	**100**	2,039	100

Cumulative Allowances for Assets

	Total cumulative allowances S$ million	Specific allowances S$ million	Portfolio allowances S$ million	Specific allowances as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
2016	**1,082**	**235**	**847**	**29.4**	**135.2**
2015	857	85	772	15.6	157.2
Malaysia					
2016	**509**	**124**	**385**	**20.4**	**83.4**
2015	539	148	391	20.2	73.7
Indonesia					
2016	**461**	**173**	**288**	**25.0**	**66.7**
2015	268	58	210	14.4	66.8
Greater China					
2016	**610**	**89**	**521**	**23.0**	**156.9**
2015	581	70	511	29.1	240.8
Other Asia Pacific					
2016	**127**	**17**	**110**	**5.1**	**38.9**
2015	98	1	97	1.2	123.1
Rest of the World					
2016	**98**	**8**	**90**	**10.8**	**139.3**
2015	95	16	79	39.9	235.3
Group					
2016	**2,887**	**646**	**2,241**	**22.4**	**100.0**
2015	2,438	378	2,060	18.6	119.6

As at 31 December 2016, the Group's total cumulative allowances for assets were S$2.89 billion, comprising S$646 million in specific allowances and S$2.24 billion in portfolio allowances. The coverage ratios as of 31 December 2016 comprised total cumulative allowances amounting to 303% of unsecured NPAs and 100% of total NPAs.

Deposits

	2016 S$ million	2015 S$ million	+/(-) %
Deposits of non-bank customers	**261,486**	246,277	6
Deposits and balances of banks	**10,740**	12,047	(11)
Total deposits	**272,226**	258,324	5
Non-Bank Deposits By Product			
Fixed deposits	**113,943**	106,375	7
Savings deposits	**48,240**	43,099	12
Current account	**85,411**	77,298	10
Others	**13,892**	19,505	(29)
	261,486	246,277	6
Non-Bank Deposits By Currency			
Singapore Dollar	**94,413**	88,905	6
United States Dollar	**80,402**	72,583	11
Malaysian Ringgit	**21,701**	22,616	(4)
Indonesian Rupiah	**7,563**	5,692	33
Hong Kong Dollar	**27,336**	23,692	15
Chinese Renminbi	**8,008**	10,501	(24)
Others	**22,063**	22,288	(1)
	261,486	246,277	6
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**82.9%**	84.5%	

Deposits (continued)

Non-bank customer deposits as at 31 December 2016 were S$261 billion, up 6% from a year ago. Compared to the previous year, the growth in customer deposits was led by an increase in current account, savings and fixed deposits, which grew by 10%, 12% and 7% respectively. The ratio of current and savings deposits to total non-bank deposits increased to 51.1% as at 31 December 2016, from 48.9% a year ago. The Group's loans-to-deposits ratio was 82.9%, as compared with 84.5% 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

	2016 S$ million	2015 S$ million	+/(-) %
Global Consumer/Private Banking	**1,066**	1,004	6
Global Corporate/Investment Banking	**1,605**	1,903	(16)
Global Treasury and Markets	**441**	618	(29)
OCBC Wing Hang [1]	**362**	360	–
Insurance	**662**	853	(22)
Others	**(257)**	(266)	(3)
Operating profit after allowances and amortisation	**3,879**	4,472	(13)

(1) This includes the operating profit of OCBC Bank (China) from mid-July 2016, following the merger of OCBC Bank (China) and Wing Hang Bank (China). The operating profit of OCBC Bank (China) continues to be reported in the various business segments.

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.

Operating profit after allowances rose 6% year-on-year to S$1.07 billion from S$1.00 billion in 2015, driven by higher net interest income and fee income, partly offset by an increase in expenses.

Global Corporate/Investment Banking

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

Global Corporate/Investment Banking's operating profit after allowances fell 16% year-on-year to S$1.61 billion in 2016. The decline was largely attributable to lower net interest income and higher 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 fell 29% year-on-year to S$441 million, from S$618 million in 2015, largely attributable to a decline in net interest income from reduced money market opportunities.

Management Discussion and Analysis

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. In mid-July 2016, its subsidiary in China, Wing Hang Bank (China), was officially merged with OCBC Bank (China) to become OCBC Wing Hang Bank (China), a wholly owned subsidiary of OCBC Wing Hang.

OCBC Wing Hang's 2016 operating profit after allowances of S$362 million was relatively flat year-on-year, as higher net interest income and trading income, as well as lower allowances were offset by an increase in operating expenses.

Insurance
The Group's insurance business, including its fund management activities, is undertaken by 87.8%-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 was down 22% to S$662 million in 2016, mainly attributable to lower insurance income from higher medical claims and mark-to-market losses in its Non-participating Fund as a result of interest rate movements, as well as the absence of a realised gain from the sale of an equity investment recognised a year ago.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S$470 million in 2016.

Others
Others comprise mainly property holding, investment holding and items not attributable to the business segments described above. It also includes the offset of OCBC Bank (China) from mid-July 2016 which is reported in both the various business segments and OCBC Wing Hang following the merger of China entities.

Performance By Geographical Segment

	2016		2015	
	S$ million	%	S$ million	%
Total income				
Singapore	**4,908**	**58**	5,106	58
Malaysia	**1,314**	**15**	1,395	16
Indonesia	**731**	**8**	564	6
Greater China	**1,250**	**15**	1,362	16
Other Asia Pacific	**141**	**2**	148	2
Rest of the World	**145**	**2**	147	2
	8,489	**100**	8,722	100
Profit before income tax				
Singapore	**2,154**	**50**	2,665	55
Malaysia	**802**	**19**	807	17
Indonesia	**226**	**5**	200	4
Greater China	**934**	**22**	968	20
Other Asia Pacific	**84**	**2**	84	2
Rest of the World	**75**	**2**	101	2
	4,275	**100**	4,825	100
Total assets				
Singapore	**229,752**	**56**	214,358	55
Malaysia	**60,412**	**15**	59,952	15
Indonesia	**14,946**	**4**	12,604	3
Greater China	**75,563**	**18**	71,512	18
Other Asia Pacific	**12,007**	**3**	10,665	3
Rest of the World	**17,204**	**4**	21,099	6
	409,884	**100**	390,190	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2016, Singapore accounted for 58% of total income and 50% of pre-tax profit, while Malaysia accounted for 15% of total income and 19% of pre-tax profit. Greater China accounted for 15% of total income and 22% of pre-tax profit.

Performance By Geographical Segment (continued)

Pre-tax profit for Singapore was S$2.15 billion in 2016, a decline from S$2.67 billion a year ago, largely attributable to lower net interest income and profit from life assurance, as well as higher allowances. Malaysia's pre-tax profit was S$802 million, 1% lower year-on-year from S$807 million in 2015, mainly from a decline in net interest income and a rise in allowances. In constant currency terms, Malaysia's profit grew by 5% from a year ago. Pre-tax profit for Greater China was 3% lower at S$934 million from S$968 million, largely from lower net interest income.

Capital Adequacy Ratios

The Group remains strongly capitalised, with a Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") of 14.7%, and Tier 1 and Total CAR of 15.1% and 17.1% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2016. In addition to these minimum capital requirements, Capital Conservation Buffer ("CCB") of 2.5% and Countercyclical Buffer ("CCyB") of up to 2.5% will be phased in from 2016 to 2019. The CCB was 0.625% on 1 January 2016 and increases by 0.625% each year to reach 2.5% on 1 January 2019. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

The Group's fully phased-in CET1 CAR as of 31 December 2016 based on MAS Notice 637 rules effective 31 December 2015 was 12.4%.

Leverage Ratio

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 31 December 2016, the Group's leverage ratio was 8.2%, above the minimum requirement of 3% which is being tested by Basel Committee on Banking Supervision during the parallel run period from 2013 to 2017.

Liquidity Coverage Ratios

For the fourth quarter of 2016, the average Singapore dollar ("SGD") and all-currency liquidity coverage ratios ("LCR") for the Group (excluding OCBC Wing Hang which will be included in due course) were 284% and 145% respectively.

The Group continued to focus on acquiring stable deposits and to maintain a mix of High Quality Liquid Assets comprising mainly Level 1 central bank reserves and liquid sovereign bonds. The Asset & Liability Management Desk in Global Treasury manages the day-to-day liquidity needs of the Group, and is subject to liquidity limits and triggers that serve as risk control on the Group's liquidity exposure.

Unrealised Valuation Surplus

	2016 S$ million	2015 S$ million
Properties [1]	**3,890**	3,915
Equity securities [2]	**2,557**	2,508
Total	**6,447**	6,423

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

The Group's unrealised valuation surplus largely represents the difference between the carrying values of its properties and investments in quoted subsidiaries and an associate, and the market values of those properties and quoted investments at the respective periods. The carrying values of subsidiaries and associate on the balance sheet are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation, and impairment, if any.

The valuation surplus as at 31 December 2016 was S$6.45 billion, largely unchanged from S$6.42 billion as at 31 December 2015.

Directors' Statement

For the financial year ended 31 December 2016

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 2016.

In our opinion:

(a) the financial statements set out on pages 106 to 213 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 2016, the financial performance and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of Singapore Financial Reporting Standard 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore; and

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

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

Directors

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

Ooi Sang Kuang, Chairman
Samuel N. Tsien, Chief Executive Officer
Christina Hon Kwee Fong (Christina Ong) (Appointed on 15 February 2016)
Lai Teck Poh
Lee Tih Shih
Quah Wee Ghee
Pramukti Surjaudaja
Tan Ngiap Joo
Teh Kok Peng
Wee Joo Yeow

Lee Tih Shih, Quah Wee Ghee, Samuel N. Tsien and Wee Joo Yeow will retire by rotation under Article 98 of the Constitution of the Bank 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 31.12.2016	At 1.1.2016/ Date of appointment	At 31.12.2016	At 1.1.2016/ Date of appointment
BANK				
Ordinary shares				
Ooi Sang Kuang	**26,366**	19,793	**–**	–
Samuel N. Tsien	**762,471**	472,303	**–**	–
Christina Hon Kwee Fong (Christina Ong)	**–**	–	**–**	–
Lai Teck Poh	**1,064,944**	1,035,820	**–**	–
Lee Tih Shih	**10,520,908**	3,286,468	**–**	–
Quah Wee Ghee	**27,242**	20,650	**589**	576
Pramukti Surjaudaja	**50,440**	43,344	**–**	–
Tan Ngiap Joo	**1,336,498**	1,239,780	**–**	–
Teh Kok Peng	**502,268**	485,361	**–**	–
Wee Joo Yeow	**46,652**	39,639	**4,794**	4,689
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**5,060,601** [3]	3,959,340 [2]	**–**	–
Tan Ngiap Joo	**51,415** [4]	113,113 [4]	**–**	–
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100**	2,100

(1) Ordinary shares/preference shares held by spouse.
(2) Comprises: (i) 3,290,004 options granted under the OCBC Share Option Scheme 2001; (ii) 7,377 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 661,959 unvested shares granted under the OCBC Deferred Share Plan.
(3) Comprises: (i) 4,314,802 options granted under the OCBC Share Option Scheme 2001; (ii) 7,775 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 738,024 unvested shares granted under the OCBC Deferred Share Plan.
(4) Comprises options granted under the OCBC Share Option Scheme 2001.

Directors' Interests in Shares or Debentures (continued)

None of the directors holding office at the end of the financial year have any direct or deemed interests in the 4.0% Class M non-cumulative non-convertible preference shares of the Bank.

Save as disclosed above, no director holding office at the end of the financial year had any interest in shares in, or debentures of, the Bank or any of its related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2017.

Share-Based Compensation Plans

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

Wee Joo Yeow, Chairman
Ooi Sang Kuang
Quah Wee Ghee
Tan Ngiap Joo
Teh Kok Peng

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 2006, 2006B, 2007, 2007A, 2007B, 2008, 2009, 2010, 2011, 2012, 2012NED, 2013, 2013NED, 2014, 2014GK, 2015, 2015CT and 2015JL were set out in the Directors' Reports for the financial years ended 31 December 2006 to 2015.

During the financial year, pursuant to the 2001 Scheme, options to acquire 9,524,094 ordinary shares at S$8.814 per ordinary share were granted to 167 eligible executives of the Group ("2016 and 2016A 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 2016 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2016 Outstanding	At 31.12.2016 Exercisable
2006	15.03.2007 to 13.03.2016	6.632	1,066,218	1,031,132	–	–
2006B	24.05.2007 to 22.05.2016	6.399	53,875	53,875	–	–
2007	15.03.2008 to 13.03.2017	8.354	139,225	131,326	1,422,400	1,422,400
2007A	16.01.2008 to 14.01.2017	7.391	–	–	457,593	457,593
2007B	15.03.2008 to 13.03.2017	8.354	15,566	15,566	119,203	119,203
2008	15.03.2009 to 13.03.2018	7.313	99,428	95,051	1,316,241	1,316,241
2009	17.03.2010 to 15.03.2019	4.024	106,664	106,664	1,131,969	1,131,969
2010	16.03.2011 to 14.03.2020	8.521	10,590	10,590	1,741,264	1,741,264
2011	15.03.2012 to 13.03.2021	9.093	–	–	1,771,544	1,771,544
2012	15.03.2013 to 13.03.2022	8.556	52,034	52,034	3,143,230	3,143,230
2012NED	15.03.2013 to 13.03.2017	8.556	–	–	350,572	350,572
2013	15.03.2014 to 13.03.2023	10.018	–	–	7,356,351	7,356,351
2013NED	15.03.2014 to 13.03.2018	10.018	–	–	464,817	464,817
2014	15.03.2015 to 13.03.2024	9.169	600	600	5,481,027	3,591,469
2014GK	12.09.2015 to 10.09.2024	9.732	–	–	135,753	89,596
2015	16.03.2016 to 15.03.2025	10.378	–	–	6,703,402	2,212,054
2015CT	30.06.2016 to 29.06.2025	10.254	–	–	31,779	10,487
2015JL	16.11.2016 to 15.11.2025	9.030	–	–	29,848	9,849
2016	16.03.2017 to 15.03.2026	8.814	–	–	9,092,057	–
2016A	16.03.2017 to 15.03.2026	8.814	–	–	138,236	–
			1,544,200	1,496,838	40,887,286	25,188,639

Share-Based Compensation Plans (continued)

(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 2016, the Bank launched its eleventh offering under the ESP Plan, which commenced on 1 July 2016 and will expire on 30 June 2018. Under the eleventh offering, 6,921 employees enrolled to participate in the ESP Plan to acquire 10,644,475 ordinary shares at S$8.45 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 tenth offerings under the ESP Plan were set out in the Directors' Reports for the financial years ended 31 December 2004 to 2015. During the financial year, 26,443 ordinary shares were delivered to participants under the ESP Plan. As at the end of the financial year, (i) rights to acquire 5,736,769 ordinary shares at S$10.24 per ordinary share granted under the tenth offering (which will expire on 30 June 2017), and (ii) rights to acquire 9,925,433 ordinary shares at S$8.45 per ordinary share granted under the eleventh offering (which will expire on 30 June 2018) remained outstanding. Further details on the ESP Plan can be found in Note 13.3 of the Notes to the Financial Statements.

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 31.12.2016	Aggregate number of options/ rights granted since commencement of scheme/ plan to 31.12.2016	Aggregate number of options exercised/ rights converted since commencement of scheme/plan to 31.12.2016	Aggregate number of options/ rights outstanding at 31.12.2016 [1]
2001 SCHEME				
Samuel N. Tsien	1,024,798	4,564,802	250,000	4,314,802
Tan Ngiap Joo	–	811,829	760,414	51,415
ESP PLAN				
Samuel N. Tsien	4,260	36,242	20,491 [2]	7,775

(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 2017.

Share-Based Compensation Plans (continued)

(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 7,473,690 ordinary shares (including awards over 318,541 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2016. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2015, and interim dividend for the financial year ended 31 December 2016, resulting in an additional 663,626 ordinary shares being subject to awards under the DSP (including an additional 31,136 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, 4,350,930 deferred shares were released to grantees, of which 273,612 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:

Tan Ngiap Joo, Chairman
Christina Hon Kwee Fong (Christina Ong)
Lai Teck Poh

The Audit Committee performed the functions specified in the Act, the SGX Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2012. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

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

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors of the Bank at the forthcoming annual general meeting of the Bank.

Directors' Statement

For the financial year ended 31 December 2016

Auditors

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

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
13 February 2017

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 accompanying 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 2016, 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 106 to 213.

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 Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and bills receivable
(Refer to Notes 9, 26, 28 and 29 to the financial statements.)

The key audit matter	*How the matter was addressed in our audit*
The Group's loans and bills receivable represent 53% of its total assets. The impairment of loans and bills receivable is highly subjective due to the judgement applied by management in estimating the allowances. As a result of the significance of loans and bills receivable and the related estimation uncertainty and given the weak credit environment, this is considered a key audit risk. In 2016, the portfolio giving rise to the greatest degree of estimation uncertainty was that in the oil and gas and related sectors. Credit exposures in the oil and gas and related sectors have been affected by the continuing volatility of oil prices. We are also focussed on individually significant exposures that have become or were at risk of being impaired. In addition, we are focussed on collective portfolio impairment allowances, including management adjustments that require significant judgements.	We assessed the controls implemented over the credit approval, grading and monitoring of loans and bills receivable. We also assessed the controls over impairment allowances for individually assessed loans and bills receivable. For a sample of exposures that were subject to individual impairment assessment, we specifically challenged the Group's assumptions on the expected future cash flows, including where relevant, the value of realisable collateral based on our understanding of the counterparty and business environment. The sustained low oil prices has impacted a number of the Group's customers. The Group continued to take risk-mitigation actions on borrowers in this sector. We critically assessed the Group's estimates and assumptions, particularly those in the oil and gas and related sectors. We recomputed management's calculation to ascertain that the Group's portfolio allowances is maintained in accordance with the requirements of MAS Notice 612. In our view, the impairment estimates were within an acceptable range of outcomes in the context of the overall loans and bills receivable.

<table>
<tr><th colspan="2">Valuation of financial instruments
(Refer to Notes 18, 22, 24, 25, 30 and 41 to the financial statements.)</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The fair value of financial instruments is determined through the application of valuation techniques and the use of assumptions and estimates. Due to the significance of financial instruments and the related estimation uncertainty, this is considered a key audit focus area. These financial instruments include those held by Great Eastern Holdings Limited ("GEH").

Of the financial instruments that are carried at fair value in the Group's balance sheet as at 31 December 2016, the significant majority qualified as Level 1 or 2 financial instruments. These instruments were valued using prices that were observable in the market or through models with market observable inputs, resulting in a lower valuation risk.

The remaining financial instruments are classified as Level 3, where certain pricing inputs to value these instruments are unobservable. The Level 3 instruments comprised mainly unlisted debt and equity investments and derivatives. The valuation of these instruments involve the application of unobservable inputs such as future cash flow forecasts, discount rates and volatility, amongst others. As such, there is greater estimation uncertainty in the determination of these prices.</td><td>We assessed the controls over the identification and measurement of valuation risk. These controls include independent price verification, governance over valuation models, model validation and management reporting of valuation risk.

For a sample of financial instruments, we checked that the pricing inputs used were externally sourced and accurately input into pricing models. Where appropriate, we used our valuation specialists to assess that the valuation models were reasonable. Additionally, we priced a selection of the Group's derivative positions independently and compared the values to the Group's valuation.

For a sample of the Level 1 and 2 instruments, we critically assessed that the market prices and inputs are genuinely observable.

In respect of a sample of Level 3 instruments, we assessed key inputs and assumptions, considering alternative valuation methods and assessing sensitivities to key factors.

In respect of the valuation of financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used are reasonable.

Overall, in our view, the valuation estimates were within an acceptable range of outcomes.</td></tr>
</table>

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 wholly conducted through its subsidiary, Great Eastern Holdings Limited ("GEH"). GEH is audited by another public accounting firm. 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 interest rates from prevailing 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. Using an inappropriate valuation method could result in material errors to the carrying value of insurance contract liabilities. In addition, changes in the assumptions used in calculation of the valuation could result in a material impact to the valuation of insurance contract liabilities and the related movements in the income statement.	We planned, scoped and issued group audit instructions to GEH's auditors to obtain an independent auditors' report of the significant component which includes valuation of liabilities of insurance business. We performed a review of GEH's auditors' working papers and involved our actuarial specialists in our discussion with GEH's auditors. We independently assessed, through GEH's auditors' procedures, that the valuation methodology and assumptions relating to the measurement and estimation of insurance contract liabilities are reasonable. Based on the reports from GEH's auditors and our review of GEH's auditors' working papers, we concluded that the valuation methods and assumptions used by the Group were reasonable and the valuation of insurance contract liabilities were within an acceptable range of outcomes.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditors' report thereon. Other than the financial highlights, Group's major properties, management discussion and analysis, pillar 3 disclosures, risk management, capital management, corporate strategy, corporate social responsibility, board of directors, management committee and additional information required under SGX-ST listing manual, which we obtained prior to the date of this auditors' report, the other sections included in the Annual Report 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 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 control.

- Obtain an understanding of internal control 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 control.

- 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 control 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 law or regulation precludes 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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2017

Income Statements

For the financial year ended 31 December 2016

	Note	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Interest income		**8,368,226**	8,486,454	**4,388,005**	4,361,730
Interest expense		**(3,316,098)**	(3,297,032)	**(1,708,424)**	(1,481,774)
Net interest income	3	**5,052,128**	5,189,422	**2,679,581**	2,879,956
Premium income		**9,067,287**	7,946,252	**–**	–
Investment income		**2,359,344**	2,254,059	**–**	–
Net claims, surrenders and annuities		**(4,820,864)**	(4,880,046)	**–**	–
Change in life assurance fund contract liabilities		**(4,657,169)**	(3,348,865)	**–**	–
Commission and others		**(1,449,630)**	(1,341,657)	**–**	–
Profit from life assurance	4	**498,968**	629,743	**–**	–
Premium income from general insurance		**150,325**	150,979	**–**	–
Fees and commissions (net)	5	**1,638,288**	1,642,883	**821,159**	824,191
Dividends	6	**101,352**	93,115	**617,344**	469,201
Rental income		**90,455**	100,325	**57,792**	64,782
Other income	7	**957,777**	915,361	**490,512**	331,333
Non-interest income		**3,437,165**	3,532,406	**1,986,807**	1,689,507
Total income		**8,489,293**	8,721,828	**4,666,388**	4,569,463
Staff costs		**(2,346,597)**	(2,254,258)	**(812,837)**	(802,613)
Other operating expenses		**(1,441,931)**	(1,409,738)	**(848,098)**	(827,710)
Total operating expenses	8	**(3,788,528)**	(3,663,996)	**(1,660,935)**	(1,630,323)
Operating profit before allowances and amortisation		**4,700,765**	5,057,832	**3,005,453**	2,939,140
Amortisation of intangible assets	37	**(96,264)**	(97,613)	**–**	–
Allowances for loans and impairment for other assets	9	**(725,860)**	(488,058)	**(450,072)**	(289,250)
Operating profit after allowances and amortisation		**3,878,641**	4,472,161	**2,555,381**	2,649,890
Share of results of associates		**396,724**	352,422	**–**	–
Profit before income tax		**4,275,365**	4,824,583	**2,555,381**	2,649,890
Income tax expense	10	**(628,873)**	(716,782)	**(268,076)**	(333,881)
Profit for the year		**3,646,492**	4,107,801	**2,287,305**	2,316,009
Attributable to:					
Equity holders of the Bank		**3,473,092**	3,903,107		
Non-controlling interests		**173,400**	204,694		
		3,646,492	4,107,801		
Earnings per share (cents)	11				
Basic		**82.2**	95.3		
Diluted		**82.2**	95.2		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2016

	Note	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Profit for the year		**3,646,492**	4,107,801	**2,287,305**	2,316,009
Other comprehensive income:					
Available-for-sale financial assets					
Gains/(losses) for the year		**118,204**	(73,709)	**60,542**	(122,544)
Reclassification of (gains)/losses to income statement					
- on disposal		**(198,126)**	(203,974)	**(98,007)**	(59,073)
- on impairment		**33,471**	71,408	**4,023**	43,557
Tax on net movements	20	**5,531**	18,989	**3,342**	8,213
Defined benefit plans remeasurements [1]		**2,560**	6,007	**(25)**	–
Exchange differences on translating foreign operations		**200,441**	(155,831)	**12,513**	18,514
Other comprehensive income of associates		**(136,022)**	76,152	**–**	–
Total other comprehensive income, net of tax		**26,059**	(260,958)	**(17,612)**	(111,333)
Total comprehensive income for the year, net of tax		**3,672,551**	3,846,843	**2,269,693**	2,204,676
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,477,230**	3,683,686		
Non-controlling interests		**195,321**	163,157		
		3,672,551	3,846,843		

(1) Item that will not be reclassified to income statement.

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

Balance Sheets

As at 31 December 2016

	Note	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13.1	**15,106,818**	14,560,367	**15,106,818**	14,560,367
Other equity instruments	13.5	**499,143**	499,143	**499,143**	499,143
Capital reserves	14	**571,850**	526,910	**105,678**	94,749
Fair value reserves		**155,845**	234,357	**7,628**	37,728
Revenue reserves	15	**20,673,429**	18,732,172	**12,562,210**	11,545,456
		37,007,085	34,552,949	**28,281,477**	26,737,443
Non-controlling interests	16	**2,634,940**	2,557,862	**–**	–
Total equity		**39,642,025**	37,110,811	**28,281,477**	26,737,443
LIABILITIES					
Deposits of non-bank customers	17	**261,485,862**	246,277,331	**155,752,937**	154,167,752
Deposits and balances of banks	17	**10,739,590**	12,046,711	**9,090,295**	10,165,734
Due to subsidiaries		**–**	–	**16,288,469**	9,963,183
Due to associates		**205,805**	334,208	**127,470**	144,249
Trading portfolio liabilities		**597,699**	644,685	**580,499**	644,685
Derivative payables	18	**7,474,158**	6,068,545	**6,008,300**	4,739,556
Other liabilities	19	**5,590,629**	4,906,519	**1,747,020**	1,506,438
Current tax		**914,629**	1,000,423	**387,930**	403,433
Deferred tax	20	**1,324,607**	1,327,355	**51,111**	51,762
Debt issued	21	**19,947,379**	23,479,029	**19,531,523**	23,436,919
		308,280,358	296,084,806	**209,565,554**	205,223,711
Life assurance fund liabilities	22	**61,961,177**	56,994,024	**–**	–
Total liabilities		**370,241,535**	353,078,830	**209,565,554**	205,223,711
Total equity and liabilities		**409,883,560**	390,189,641	**237,847,031**	231,961,154
ASSETS					
Cash and placements with central banks	23	**16,559,463**	21,179,896	**11,364,749**	15,645,717
Singapore government treasury bills and securities	24	**8,065,895**	8,635,493	**7,702,246**	8,339,191
Other government treasury bills and securities	24	**16,298,540**	12,366,061	**7,164,636**	6,793,843
Placements with and loans to banks	25	**39,800,684**	35,790,761	**31,209,763**	28,952,455
Loans and bills receivable	26–29	**216,830,182**	208,218,258	**131,873,755**	128,630,174
Debt and equity securities	30	**23,156,669**	22,786,463	**11,612,196**	11,354,838
Assets pledged	46	**1,788,915**	1,451,885	**935,930**	1,007,700
Assets held for sale	47	**28,035**	5,605	**1,150**	2,420
Derivative receivables	18	**7,837,609**	6,247,638	**6,351,588**	4,915,455
Other assets	31	**4,889,298**	4,341,383	**1,591,121**	1,486,848
Deferred tax	20	**196,088**	135,371	**64,280**	40,657
Associates	33	**2,415,468**	2,248,367	**594,532**	596,306
Subsidiaries	34	**–**	–	**24,333,259**	21,231,315
Property, plant and equipment	35	**3,478,656**	3,466,926	**648,849**	536,126
Investment property	36	**1,092,918**	1,137,861	**531,801**	560,933
Goodwill and intangible assets	37	**5,472,846**	5,195,231	**1,867,176**	1,867,176
		347,911,266	333,207,199	**237,847,031**	231,961,154
Life assurance fund investment assets	22	**61,972,294**	56,982,442	**–**	–
Total assets		**409,883,560**	390,189,641	**237,847,031**	231,961,154

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

Statement of Changes In Equity - Group

For the financial year ended 31 December 2016

In $'000	Attributable to equity holders of the Bank						
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	15,059,510	526,910	234,357	18,732,172	34,552,949	2,557,862	37,110,811
Total comprehensive income for the year							
Profit for the year	–	–	–	3,473,092	3,473,092	173,400	3,646,492
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	110,548	–	110,548	7,656	118,204
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(189,012)	–	(189,012)	(9,114)	(198,126)
- on impairment	–	–	31,380	–	31,380	2,091	33,471
Tax on net movements	–	–	5,724	–	5,724	(193)	5,531
Defined benefit plans remeasurements	–	–	–	2,404	2,404	156	2,560
Exchange differences on translating foreign operations	–	–	–	179,172	179,172	21,269	200,441
Other comprehensive income of associates	–	–	(37,152)	(98,926)	(136,078)	56	(136,022)
Total other comprehensive income, net of tax	–	–	(78,512)	82,650	4,138	21,921	26,059
Total comprehensive income for the year	–	–	(78,512)	3,555,742	3,477,230	195,321	3,672,551
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	4,091	57,585	–	(61,676)	–	–	–
Distribution for perpetual capital securities	–	–	–	(19,052)	(19,052)	–	(19,052)
Dividends to non-controlling interests	–	–	–	–	–	(108,926)	(108,926)
DSP reserve from dividends on unvested shares	–	–	–	5,630	5,630	–	5,630
Ordinary and preference dividends	–	–	–	(949,898)	(949,898)	–	(949,898)
Share-based staff costs capitalised	–	15,020	–	–	15,020	–	15,020
Share buyback held in treasury	(117,245)	–	–	–	(117,245)	–	(117,245)
Shares issued in-lieu of ordinary dividends	584,054	–	–	(584,054)	–	–	–
Shares issued to non-executive directors	535	–	–	–	535	–	535
Shares transferred to DSP Trust	–	(5,630)	–	–	(5,630)	–	(5,630)
Shares vested under DSP Scheme	–	42,736	–	–	42,736	–	42,736
Treasury shares transferred/sold	75,016	(64,771)	–	–	10,245	–	10,245
Total contributions by and distributions to owners	546,451	44,940	–	(1,609,050)	(1,017,659)	(108,926)	(1,126,585)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(5,435)	(5,435)	(9,317)	(14,752)
Total changes in ownership interests in subsidiaries	–	–	–	(5,435)	(5,435)	(9,317)	(14,752)
Balance at 31 December 2016	15,605,961	571,850	155,845	20,673,429	37,007,085	2,634,940	39,642,025
Included:							
Share of reserves of associates	–	–	34,787	778,240	813,027	(363)	812,664

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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

Statement of Changes In Equity - Group

For the financial year ended 31 December 2016

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 2015	13,752,110	517,563	366,017	16,461,106	31,096,796	3,088,643	34,185,439
Total comprehensive income for the year							
Profit for the year	–	–	–	3,903,107	3,903,107	204,694	4,107,801
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(71,972)	–	(71,972)	(1,737)	(73,709)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(187,000)	–	(187,000)	(16,974)	(203,974)
- on impairment	–	–	67,835	–	67,835	3,573	71,408
Tax on net movements	–	–	16,377	–	16,377	2,612	18,989
Defined benefit plans remeasurements	–	–	–	5,220	5,220	787	6,007
Exchange differences on translating foreign operations	–	–	–	(126,289)	(126,289)	(29,542)	(155,831)
Other comprehensive income of associates	–	–	43,100	33,308	76,408	(256)	76,152
Total other comprehensive income, net of tax	–	–	(131,660)	(87,761)	(219,421)	(41,537)	(260,958)
Total comprehensive income for the year	–	–	(131,660)	3,815,346	3,683,686	163,157	3,846,843
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	9,126	15,562	–	(24,688)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(124,053)	(124,053)
DSP reserve from dividends on unvested shares	–	–	–	4,417	4,417	–	4,417
Ordinary and preference dividends	–	–	–	(332,753)	(332,753)	–	(332,753)
Perpetual capital securities issued	499,143	–	–	–	499,143	–	499,143
Redemption of preference shares issued by the Bank	(391,873)	–	–	(3,958)	(395,831)	–	(395,831)
Redemption of preference shares issued by subsidiaries	–	–	–	–	–	(543,814)	(543,814)
Share-based staff costs capitalised	–	11,768	–	–	11,768	–	11,768
Share buyback held in treasury	(117,496)	–	–	–	(117,496)	–	(117,496)
Shares issued in-lieu of ordinary dividends	1,170,656	–	–	(1,170,656)	–	–	–
Shares issued to non-executive directors	737	–	–	–	737	–	737
Shares transferred to DSP Trust	–	(4,417)	–	–	(4,417)	–	(4,417)
Shares vested under DSP Scheme	–	38,543	–	–	38,543	–	38,543
Treasury shares transferred/sold	137,107	(52,109)	–	–	84,998	–	84,998
Total contributions by and distributions to owners	1,307,400	9,347	–	(1,527,638)	(210,891)	(667,867)	(878,758)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(16,642)	(16,642)	(26,071)	(42,713)
Total changes in ownership interests in subsidiaries	–	–	–	(16,642)	(16,642)	(26,071)	(42,713)
Balance at 31 December 2015	15,059,510	526,910	234,357	18,732,172	34,552,949	2,557,862	37,110,811
Included:							
Share of reserves of associates	–	–	71,939	569,538	641,477	(277)	641,200

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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

Statement of Changes In Equity - Bank

For the financial year ended 31 December 2016

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2016	**15,059,510**	**94,749**	**37,728**	**11,545,456**	**26,737,443**
Profit for the year	–	–	–	2,287,305	2,287,305
Other comprehensive income	–	–	(30,100)	12,488	(17,612)
Total comprehensive income for the year (1)	–	–	(30,100)	2,299,793	2,269,693
Transfers	4,091	(4,091)	–	–	–
Arising from merger of subsidiaries	–	–	–	264,335	264,335
Distribution for perpetual capital securities	–	–	–	(19,052)	(19,052)
DSP reserve from dividends on unvested shares	–	–	–	5,630	5,630
Ordinary and preference dividends	–	–	–	(949,898)	(949,898)
Share-based staff costs capitalised	–	15,020	–	–	15,020
Share buyback held in treasury	(117,245)	–	–	–	(117,245)
Shares issued in-lieu of ordinary dividends	584,054	–	–	(584,054)	–
Shares issued to non-executive directors	535	–	–	–	535
Treasury shares transferred/sold	75,016	–	–	–	75,016
Balance at 31 December 2016	**15,605,961**	**105,678**	**7,628**	**12,562,210**	**28,281,477**
Balance at 1 January 2015	13,752,110	92,107	167,575	10,713,883	24,725,675
Profit for the year	–	–	–	2,316,009	2,316,009
Other comprehensive income	–	–	(129,847)	18,514	(111,333)
Total comprehensive income for the year (1)	–	–	(129,847)	2,334,523	2,204,676
Transfers	9,126	(9,126)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	4,417	4,417
Ordinary and preference dividends	–	–	–	(332,753)	(332,753)
Perpetual capital securities issued	499,143	–	–	–	499,143
Redemption of preference shares issued by the Bank	(391,873)	–	–	(3,958)	(395,831)
Share-based staff costs capitalised	–	11,768	–	–	11,768
Share buyback held in treasury	(117,496)	–	–	–	(117,496)
Shares issued in-lieu of ordinary dividends	1,170,656	–	–	(1,170,656)	–
Shares issued to non-executive directors	737	–	–	–	737
Treasury shares transferred/sold	137,107	–	–	–	137,107
Balance at 31 December 2015	15,059,510	94,749	37,728	11,545,456	26,737,443

(1) Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2016

In $'000	2016	2015
Cash flows from operating activities		
Profit before income tax	4,275,365	4,824,583
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	725,860	488,058
Amortisation of intangible assets	96,264	97,613
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	15,232	(12,165)
Depreciation of property, plant and equipment and investment property	308,119	293,350
Net gain on disposal of government, debt and equity securities	(198,126)	(203,983)
Net gain on disposal of property, plant and equipment and investment property	(159,559)	(64,723)
Net loss/(gain) on disposal of interests in subsidiaries and associates	18,478	(2,766)
Share-based costs	14,457	11,214
Share of results of associates	(396,724)	(352,422)
Items relating to life assurance fund		
Surplus before income tax	649,829	789,672
Surplus transferred from life assurance fund	(498,968)	(606,343)
Operating profit before change in operating assets and liabilities	4,850,227	5,262,088
Change in operating assets and liabilities:		
Deposits of non-bank customers	8,724,264	798,005
Deposits and balances of banks	(1,307,121)	(8,456,020)
Derivative payables and other liabilities	2,381,917	(505,585)
Trading portfolio liabilities	(46,986)	(62,038)
Restricted balances with central banks	(103,936)	710,843
Government securities and treasury bills	(3,474,389)	1,375,314
Trading and fair value through profit and loss securities	15,239	579,378
Placements with and loans to banks	(4,300,068)	5,306,862
Loans and bills receivable	(6,350,258)	(1,056,998)
Derivative receivables and other assets	(2,185,616)	(10,071)
Net change in investment assets and liabilities of life assurance fund	(170,976)	(60,697)
Cash (used in)/from operating activities	(1,967,703)	3,881,081
Income tax paid	(734,404)	(660,492)
Net cash (used in)/from operating activities	(2,702,107)	3,220,589
Cash flows from investing activities		
Acquisition of business, net of cash acquired	2,651,042	–
Dividends from associates	114,958	71,747
Decrease/(increase) in associates	99,536	(25,530)
Purchases of debt and equity securities	(12,406,802)	(12,536,528)
Purchases of property, plant and equipment and investment property	(422,046)	(341,445)
Proceeds from disposal of debt and equity securities	12,543,815	12,806,016
Proceeds from disposal of interests in subsidiaries and associates	23,563	478
Proceeds from disposal of property, plant and equipment and investment property	196,894	85,022
Net cash from investing activities	2,800,960	59,760
Cash flows from financing activities		
Acquisition of non-controlling interests	(14,752)	(42,713)
Distribution for perpetual securities	(19,052)	–
Dividends paid to non-controlling interests	(108,926)	(124,053)
Dividends paid to equity holders of the Bank	(949,898)	(332,753)
Net proceeds from issue of perpetual capital securities	–	499,143
Net redemption of other debt issued	(3,554,954)	(5,337,008)
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	10,245	84,998
Redemption of preference shares issued by the Bank	–	(395,831)
Redemption of preference shares issued by subsidiaries	–	(543,814)
Redemption of subordinated debt issued	(64,354)	(163,768)
Share buyback held in treasury	(117,245)	(117,496)
Net cash used in financing activities	(4,818,936)	(6,473,295)
Net currency translation adjustments	(4,286)	(230,169)
Net change in cash and cash equivalents	(4,724,369)	(3,423,115)
Cash and cash equivalents at 1 January	15,900,898	19,324,013
Cash and cash equivalents at 31 December (Note 23)	11,176,529	15,900,898

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

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 13 February 2017.

1. General

Oversea-Chinese Banking Corporation Limited ("the Bank") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

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

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

The financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.23.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018. The Group is currently performing analysis of the available policy choices, transitional optional exemptions and transitional mandatory exemptions under IFRS-Identical Financial Reporting Standards.

The following revised financial reporting standards and interpretations were applied with effect from 1 January 2016:

FRS	Title
FRS 1 (Amendments)	*Disclosure Initiative*
FRS 16 and FRS 38 (Amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
FRS 27 (Amendments)	*Equity Method in Separate Financial Statements*
FRS 110, FRS 112 and FRS 28 (Amendments)	*Investment Entities: Applying the Consolidation Exception*
FRS 111 (Amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
Various	*Improvements to FRSs (November 2014)*

The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

2.2 Basis of Consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group controls when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases. The Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect its returns.

In preparing the consolidated financial statements, intra-group transactions and balances, together with unrealised income and expenses arising from the intra-group transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Bank, and are presented separately from equity attributable to equity holders of the Bank. For NCI that arise through minority unit holders' interest in the insurance subsidiaries of Great Eastern Holdings Limited ("GEH") consolidated investment funds, they are recognised as a liability. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the income statement as expenses.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets on an acquisition-by-acquisition basis.

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.1 Subsidiaries (continued)

The excess of the consideration transferred, the 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.

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 Group equity and any gain/loss arising is recognised directly in equity.

2.2.2 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control and is generally established for a narrow and well-defined objective.

For the purpose of disclosure, the Group would be considered to sponsor a structured entity if it has a key role in establishing the structured entity or its name appears in the overall structure of the structured entity.

2.2.3 Associates and joint ventures

The Group applies FRS 28 *Investments in Associates and Joint Ventures* and FRS 111 *Joint Arrangements* for its investments in associates and joint ventures.

Associates are entities over which the Bank has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Joint ventures are arrangements to undertake economic activities in which the Group has joint control and rights to the net assets of the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under equity accounting, the investment is initially recognised at cost, and the carrying amount is adjusted for post-acquisition changes of the Group's share of the net assets of the entity until the date the significant influence or joint control ceases. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, where applicable. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

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

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

2.2.4 Life assurance companies

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

2.2.5 Accounting for subsidiaries and associates by the Bank

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

2.3 Currency Translation

2.3.1 Foreign currency transactions

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

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

2.3.2 Foreign operations

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

2. Summary of Significant Accounting Policies (continued)

2.3 Currency Translation (continued)

2.3.2 Foreign operations (continued)

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

2.4 Cash and Cash Equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances, money market placements and reverse repo transactions with central banks which are generally short-term financial instruments or repayable on demand.

2.5 Financial Instruments

2.5.1 Recognition

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

2.5.2 De-recognition

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

2.5.3 Offsetting

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

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

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

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

2.6 Non-Derivative Financial Assets

Non-derivative financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date.

2.6.1 Loans and receivables

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

2.6.2 Available-for-sale financial assets

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

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

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

2.6.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term. The Group may also designate financial assets under the fair value option if they are managed on a fair value basis, contain embedded derivatives that would otherwise be required to be separately accounted for or if by doing so would eliminate or significantly reduce accounting mismatch that would otherwise arise.

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

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

2.6.4 Held-to-maturity investments

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

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments

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

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

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

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

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

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

2.8 Property, Plant and Equipment

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

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

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

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

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

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

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

2.9 Investment Property

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

Investment property held under the Group's life assurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

2.10 Goodwill and Intangible Assets

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest over the fair value of the identifiable net assets acquired.

2. Summary of Significant Accounting Policies (continued)

2.10 Goodwill and Intangible Assets (continued)

2.10.1 Goodwill (continued)

Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

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

2.10.2 Intangible assets

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

2.11 Non-Current Assets Held for Sale

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

2.12 Impairment of Assets

Financial assets

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

2.12.1 Loans and receivables/financial assets carried at amortised cost

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

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

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

2.12.2 Other non-derivative financial assets

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

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

Other assets

2.12.3 Goodwill

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

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

2.12.4 Investments in subsidiaries and associates
Property, plant and equipment
Investment property
Intangible assets

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

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

2.13 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets has been met.

2. Summary of Significant Accounting Policies (continued)

2.14 Financial Liabilities

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

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(b) the fair value option designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or
(c) the financial liability contains an embedded derivative that would need to be separately recorded.

2.15 Provisions and Other Liabilities

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

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective agent's Agreement. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 Insurance Contracts

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of Great Eastern Holdings Limited ("GEH"), has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract.

Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life Assurance Fund contract liabilities, comprising
- Participating Fund contract liabilities;
- Non-participating Fund contract liabilities; and
- Investment-linked Fund contract liabilities.

(b) General Insurance Fund contract liabilities
(c) Reinsurance contracts

The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

Life Assurance Fund contract liabilities

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

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

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

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

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

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and

(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

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

	Singapore	Malaysia
Valuation method [1]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cash flows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities ("MGS") zero coupon spot yields (as outlined below).
Interest rate [1]	(i) Singapore Government Securities ("SGS") zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30 year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. *Data source: MAS website and Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation ("PAD") for Gross Premium Valuation method (iii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation ("PAD"). *Data source: Internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation ("PRAD") for Gross Premium Valuation method (ii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation ("PRAD"). *Data source: Internal experience studies*

[1] Refer to Note 2.23 on Critical accounting estimates and judgements.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

General Insurance Fund contract liabilities

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

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and the current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income.

The valuation of general insurance contract liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local insurance regulations, the provision for adverse deviation is set at 75% level of sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Loss Ratio Method.

Reinsurance contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.17 Unexpired Risk Reserve

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

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

2.18 Share Capital and Dividend

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

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

2.19 Recognition of Income and Expense

2.19.1 Interest income and expense

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

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

2.19.2 Profit from life assurance

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

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

(b) Non-participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed by the appropriate insurance regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of the non-participating fund and the results of the annual actuarial valuation of the liabilities in accordance with the requirements of the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

(c) Investment-linked Fund
Revenue comprises bid-ask spread, fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the insurance regulations, in respect of the non-unit-linked part of the fund.

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful non-participating products are recognised as revenue when payment is received.

2.19.3 Premium income from general insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the unexpired risk reserve (Note 2.17). Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

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

2.19.4 Fees and commissions

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

2.19.5 Dividends

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

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease.

2.19.7 Employee benefits

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

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in other comprehensive income in the period in which they arise.

2. Summary of Significant Accounting Policies (continued)

2.19 Recognition of Income and Expense (continued)

2.19.7 Employee benefits (continued)

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

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

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

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

2.19.8 Lease payments

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

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

2.20 Income Tax Expense

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

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

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

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

2.21 Fiduciary Activities

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

2.22 Segment Reporting

The Group's business segments represent the key customer and product groups, as follows: 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.

2.23 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.

2.23.1 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 collateral, 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.

2.23.2 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 operational and financial cash flow.

2. Summary of Significant Accounting Policies (continued)

2.23 Critical Accounting Estimates and Judgements (continued)

2.23.3 Fair value estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data 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.

2.23.4 Liabilities of insurance business

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

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the 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.

2.23.5 Impairment of goodwill and intangible assets

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

2.23.6 Income taxes

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

2.23.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether upon 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest income				
Loans to non-bank customers	**6,527,133**	6,501,108	**3,235,481**	3,196,503
Placements with and loans to banks	**771,551**	845,089	**617,684**	581,554
Other interest-earning assets	**1,069,542**	1,140,257	**534,840**	583,673
	8,368,226	8,486,454	**4,388,005**	4,361,730
Interest expense				
Deposits of non-bank customers	**(2,722,650)**	(2,731,265)	**(1,063,386)**	(923,840)
Deposits and balances of banks	**(124,285)**	(133,415)	**(206,198)**	(171,569)
Other borrowings	**(469,163)**	(432,352)	**(438,840)**	(386,365)
	(3,316,098)	(3,297,032)	**(1,708,424)**	(1,481,774)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**8,084,569**	8,169,955	**4,174,796**	4,142,253
Income – Assets at fair value through profit or loss	**283,657**	316,499	**213,209**	219,477
Expense – Liabilities not at fair value through profit or loss	**(3,298,456)**	(3,279,763)	**(1,690,874)**	(1,464,560)
Expense – Liabilities at fair value through profit or loss	**(17,642)**	(17,269)	**(17,550)**	(17,214)
Net interest income	**5,052,128**	5,189,422	**2,679,581**	2,879,956

Included in interest income were interest on impaired assets of $17.5 million (2015: $6.7 million) and $11.4 million (2015: $4.4 million) for the Group and Bank respectively.

4. Profit from Life Assurance

	GROUP	
	2016 $ million	2015 $ million
Income		
Annual	**6,142.5**	5,998.0
Single	**3,159.1**	2,495.5
Gross premiums	**9,301.6**	8,493.5
Reinsurances	**(234.3)**	(547.3)
Premium income (net)	**9,067.3**	7,946.2
Investment income (net)	**2,359.3**	2,254.0
Total income	**11,426.6**	10,200.2
Expenses		
Gross claims, surrenders and annuities	**(4,917.6)**	(4,963.4)
Claims, surrenders and annuities recovered from reinsurers	**96.7**	83.4
Net claims, surrenders and annuities	**(4,820.9)**	(4,880.0)
Change in life assurance fund contract liabilities (Note 22)	**(4,657.1)**	(3,348.9)
Commission and agency expenses	**(831.9)**	(739.7)
Depreciation – property, plant and equipment (Note 35)	**(53.1)**	(47.7)
Other expenses [1]	**(406.4)**	(373.0)
Total expenses	**(10,769.4)**	(9,389.3)
Surplus from operations	**657.2**	810.9
Share of results of associates	**(7.4)**	(0.2)
Income tax expense	**(150.8)**	(181.0)
Profit from life assurance	**499.0**	629.7

[1] Included in other expenses were directors' emoluments of $0.5 million (2015: $0.6 million).

Profit from life assurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

5. Fees and Commissions (Net)

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fee and commission income [(1)]	**1,702,598**	1,700,614	**821,871**	830,943
Fee and commission expense [(1)]	**(64,310)**	(57,731)	**(712)**	(6,752)
Fees and commissions (net)	**1,638,288**	1,642,883	**821,159**	824,191
Analysed by major sources:				
Brokerage	**65,257**	87,635	**192**	185
Credit card	**158,962**	138,305	**124,367**	106,848
Fund management [(1)]	**98,721**	86,293	**95**	(1,487)
Guarantees	**19,761**	21,103	**11,818**	13,106
Investment banking	**62,560**	85,888	**49,589**	62,942
Loan-related	**303,849**	310,708	**235,692**	240,675
Service charges	**95,945**	82,813	**76,662**	64,991
Trade-related and remittances	**208,657**	223,686	**149,895**	158,560
Wealth management [(1)]	**587,790**	570,222	**170,091**	174,504
Others [(1)]	**36,786**	36,230	**2,758**	3,867
	1,638,288	1,642,883	**821,159**	824,191

(1) Comparatives have been restated to conform to current year's presentation.

6. Dividends

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Subsidiaries	**–**	–	**557,558**	400,944
Associates	**–**	–	**34,279**	49,110
Trading and fair value through profit and loss securities	**9,697**	17,387	**3,026**	2,406
Available-for-sale securities	**91,655**	75,728	**22,481**	16,741
	101,352	93,115	**617,344**	469,201

7. Other Income

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Foreign exchange [(1)]	**344,364**	505,279	**185,106**	223,303
Hedging activities [(2)]				
Hedging instruments	**(116,468)**	(48,903)	**(117,745)**	(53,839)
Hedged items	**116,450**	49,695	**117,619**	54,313
Fair value hedges	**(18)**	792	**(126)**	474
Interest rate and other derivatives [(3)]	**245,764**	55,986	**143,316**	27,295
Trading and fair value through profit and loss securities	**(62,814)**	(9,480)	**(99,011)**	(23,813)
Others	**1,764**	(991)	**1,603**	(1,114)
Net trading income	**529,060**	551,586	**230,888**	226,145
Disposal of securities classified as available-for-sale	**198,126**	203,974	**98,007**	59,073
Disposal of securities classified as loans and receivables	**–**	9	**–**	9
Disposal of interests in subsidiaries and associates	**(18,478)**	2,766	**4,866**	(11,551)
Disposal of plant and equipment	**(1,256)**	(1,546)	**(1,384)**	(1,116)
Disposal of property	**160,815**	66,269	**138,689**	38,842
Computer-related services income	**47,510**	42,336	**–**	–
Property-related income	**10,458**	12,397	**369**	316
Others	**31,542**	37,570	**19,077**	19,615
	957,777	915,361	**490,512**	331,333

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
(2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".
(3) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.

8. Staff Costs and Other Operating Expenses

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
8.1 Staff Costs				
Salaries and other costs	**2,086,929**	2,010,812	**715,602**	705,255
Share-based expenses	**51,115**	38,650	**26,834**	22,351
Contribution to defined contribution plans	**167,597**	161,816	**56,461**	61,015
	2,305,641	2,211,278	**798,897**	788,621
Directors' emoluments:				
Remuneration of Bank's directors	**10,387**	9,860	**10,284**	9,482
Remuneration of directors of subsidiaries	**21,557**	21,671	**–**	–
Fees of Bank's directors [(1)]	**5,410**	6,325	**3,656**	4,510
Fees of directors of subsidiaries	**3,602**	5,124	**–**	–
	40,956	42,980	**13,940**	13,992
Total staff costs	**2,346,597**	2,254,258	**812,837**	802,613
8.2 Other Operating Expenses				
Property, plant and equipment: [(2)]				
Depreciation	**308,119**	293,350	**131,372**	121,388
Maintenance and hire	**117,277**	112,262	**36,422**	38,349
Rental expenses	**100,160**	97,296	**69,330**	68,524
Others	**237,643**	234,296	**98,037**	93,096
	763,199	737,204	**335,161**	321,357
Auditors' remuneration				
Payable to auditors of the Bank	**3,094**	2,605	**2,257**	1,808
Payable to associated firms of auditors of the Bank	**3,202**	2,608	**353**	318
Payable to other auditors	**1,337**	1,428	**58**	102
	7,633	6,641	**2,668**	2,228
Other fees				
Payable to auditors of the Bank [(3)]	**1,132**	1,493	**745**	866
Payable to associated firms of auditors of the Bank	**1,018**	1,179	**91**	47
	2,150	2,672	**836**	913
Hub processing charges	**–**	–	**211,126**	191,002
General insurance claims	**73,407**	79,189	**–**	–
Others [(4)]	**595,542**	584,032	**298,307**	312,210
	668,949	663,221	**509,433**	503,212
Total other operating expenses	**1,441,931**	1,409,738	**848,098**	827,710
8.3 Staff Costs and Other Operating Expenses	**3,788,528**	3,663,996	**1,660,935**	1,630,323

(1) Includes remuneration shares amounting to $0.5 million (2015: $0.7 million) issued to directors.

(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $20.5 million (2015: $20.1 million) and $4.3 million (2015: $4.5 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $2.0 million (2015: $1.3 million) and $0.3 million (2015: $1.0 million) respectively.

(3) Other fees payable to auditors of the Bank relate mainly to engagement in connection with the Bank's note issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.

(4) Included in other expenses were printing, stationery, communication, advertisement and promotion expenses, legal and professional fees and changes in third-party interests in consolidated investment funds.

9. Allowances for Loans and Impairment for Other Assets

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Specific allowances for loans (Note 28)	**484,215**	231,922	**309,646**	109,340
Portfolio allowances for loans (Note 29)	**171,466**	176,630	**96,287**	103,665
Impairment charge for securities classified as available-for-sale	**33,471**	71,408	**4,023**	43,557
Impairment charge for securities classified as loans and receivables (Note 32)	**34,543**	–	**26,671**	–
Impairment charge for associates, subsidiaries and other assets (Note 32)	**2,165**	8,098	**13,445**	32,688
Net allowances and impairment	**725,860**	488,058	**450,072**	289,250

10. Income Tax Expense

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current tax expense	**707,231**	761,837	**312,723**	354,298
Deferred tax credit (Note 20)	**(44,168)**	(10,040)	**(19,903)**	(10,146)
	663,063	751,797	**292,820**	344,152
Over provision in prior years and tax refunds	**(34,190)**	(35,015)	**(24,744)**	(10,271)
Charge to income statements	**628,873**	716,782	**268,076**	333,881

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operating profit after allowances and amortisation	**3,878,641**	4,472,161	**2,555,381**	2,649,890
Prima facie tax calculated at tax rate of 17%	**659,369**	760,267	**434,415**	450,481
Effect of change in tax rates	**335**	(722)	**335**	384
Effect of different tax rates in other countries	**76,355**	83,958	**3,610**	5,847
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**5,654**	5,291	**219**	1,074
Income not assessable for tax	**(79,486)**	(63,722)	**(160,681)**	(127,822)
Income taxed at concessionary rate	**(46,748)**	(72,076)	**(46,601)**	(57,325)
Effect of Singapore life assurance fund	**(22,075)**	(46,123)	**–**	–
Non-deductible amortisation of intangibles	**16,365**	16,594	**–**	–
(Non-taxable write-backs)/non-deductible allowances	**(11,663)**	(561)	**2,248**	4,824
Others	**64,957**	68,891	**59,275**	66,689
	663,063	751,797	**292,820**	344,152
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**6,621**	1,485	**4,880**	4,582
Write-back of allowances for assets	**(35,556)**	(7,917)	**(11,548)**	(2,591)
Debt and equity securities	**1,964**	(175)	**–**	–
Fair value on properties from business combinations	**(4,354)**	(4,025)	**(3,509)**	(3,357)
Tax losses carried forward	**(9,165)**	(774)	**(10,485)**	(1,158)
Others	**(3,678)**	1,366	**759**	(7,622)
	(44,168)	(10,040)	**(19,903)**	(10,146)

11. Earnings Per Share

	GROUP	
	2016	2015
$'000		
Profit attributable to ordinary equity holders of the Bank	**3,473,092**	3,903,107
Preference dividends declared in respect of the period	**(40,110)**	(56,625)
Perpetual securities distribution declared in respect of the period	**(19,052)**	–
Profit attributable to ordinary equity holders of the Bank after preference dividends and other equity distributions	**3,413,930**	3,846,482
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,151,864**	4,035,313
Adjustment for assumed conversion of share options and acquisition rights	**1,109**	3,485
For diluted earnings per share	**4,152,973**	4,038,798
Earnings per share (cents)		
Basic	**82.2**	95.3
Diluted	**82.2**	95.2

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual securities distribution 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit attributable to equity holders of the Bank	**3,473,092**	3,903,107	**2,287,305**	2,316,009
Add: Unappropriated profit at 1 January	**18,401,132**	16,037,596	**10,592,552**	9,780,004
Total amount available for appropriation	**21,874,224**	19,940,703	**12,879,857**	12,096,013
Appropriated as follows:				
Ordinary dividends:				
2014 final tax exempt dividend of 18 cents	**–**	(717,586)	**–**	(717,586)
2015 interim tax exempt dividend of 18 cents	**–**	(729,198)	**–**	(729,198)
2015 final tax exempt dividend of 18 cents	**(741,004)**	–	**(741,004)**	–
2016 interim tax exempt dividend of 18 cents	**(752,838)**	–	**(752,838)**	–
Preference dividends:				
Class G 4.2% tax exempt (2015: 4.2% tax exempt)	**–**	(16,625)	**–**	(16,625)
Class M 4.0% tax exempt (2015: 4.0% tax exempt)	**(40,110)**	(40,000)	**(40,110)**	(40,000)
Distributions for other equity instruments:				
3.80% perpetual capital securities	**(19,052)**	–	**(19,052)**	–
Transfer (to)/from:				
Capital reserves (Note 14)	**(61,676)**	(24,688)	**–**	–
General reserves (Note 15.1)	**3,317**	3,906	**3,317**	3,906
Defined benefit plans remeasurements	**2,404**	5,220	**(25)**	–
Redemption of preference shares	**–**	(3,958)	**–**	(3,958)
Transactions with non-controlling interests	**(5,435)**	(16,642)	**–**	–
	(1,614,394)	(1,539,571)	**(1,549,712)**	(1,503,461)
At 31 December (Note 15)	**20,259,830**	18,401,132	**11,330,145**	10,592,552

At the annual general meeting to be held, a final tax exempt dividend of 18 cents per ordinary share in respect of the financial year ended 31 December 2016, totalling $752.9 million, will be proposed. The dividends will be accounted for as a distribution in the 2017 financial statements.

13. Share Capital and Other Equity

13.1 Share Capital

GROUP AND BANK	2016 Shares ('000)	2015 Shares ('000)	2016 $'000	2015 $'000
Ordinary shares				
At 1 January	**4,121,561**	3,992,929	**13,803,649**	12,619,172
Redemption of preference shares	**–**	–	**–**	3,958
Shares issued in-lieu of ordinary dividends	**72,110**	128,564	**584,054**	1,170,656
Shares issued to non-executive directors	**58**	68	**535**	737
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**4,091**	9,126
At 31 December	**4,193,729**	4,121,561	**14,392,329**	13,803,649
Treasury shares				
At 1 January	**(6,086)**	(9,043)	**(243,282)**	(262,893)
Share buyback	**(13,614)**	(11,750)	**(117,245)**	(117,496)
Share Option Schemes	**1,497**	4,176	**9,999**	29,692
Share Purchase Plan	**26**	5,743	**246**	55,305
Treasury shares transferred to DSP Trust	**7,155**	4,788	**64,771**	52,110
At 31 December	**(11,022)**	(6,086)	**(285,511)**	(243,282)
Preference shares				
Class G				
At 1 January	**–**	395,831	**–**	395,831
Shares redeemed during the year	**–**	(395,831)	**–**	(395,831)
At 31 December	**–**	–	**–**	–
Class M				
At 1 January/31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued share capital, at 31 December			**15,106,818**	14,560,367

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

Details of the Bank's non-cumulative non-convertible preference shares outstanding as at 31 December 2016 are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

The 4.2% Class G non-cumulative non-convertible preference shares were fully redeemed by the Bank on 20 December 2015. The preference shares were redeemed out of distributable profits and pursuant to Sections 70(2) and 76G of the Singapore Companies Act, the equivalent amount redeemed out of profits (Note 12) was credited to ordinary share capital. As the Class G preference shares were issued at par value of $0.01 and liquidation value of $1 each, the redemption made out of profits under Section 62B(3) of the Singapore Companies Act was equal to the par value of $3,958,309.

13. Share Capital and Other Equity (continued)

13.1 Share Capital (continued)

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.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2016 and 31 December 2015.

13.2 Share Option Scheme

During the year, the Bank granted 9,524,094 (2015: 7,092,306) options, of which 9,479,487 (2015: 7,092,306) options were accepted, to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 1,024,798 (2015: 744,867) options granted to a director of the Bank. The fair value of options granted, determined using the binomial valuation model, was $12.4 million (2015: $7.2 million). Significant inputs to the valuation model are set out below:

	2016	2015
Acquisition price ($)	**8.81**	9.03 – 10.38
Average share price from grant date to acceptance date ($)	**8.95**	9.18 – 10.55
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**20.08**	13.10 – 17.13
Risk-free rate based on SGS bond yield at acceptance date (%)	**1.83**	2.01 – 2.63
Expected dividend yield (%)	**4.02**	3.41 – 3.92
Exercise multiple (times)	**1.78**	1.57
Option life (years)	**10**	10

Movements in the number of options and the average acquisition prices are as follows:

	2016		2015	
	Number of options	Average price	Number of options	Average price
At 1 January	**34,806,479**	**$9.109**	32,090,197	$8.565
Granted and accepted	**9,479,487**	**$8.814**	7,092,306	$10.372
Exercised	**(1,544,200)**	**$6.739**	(4,198,051)	$7.127
Forfeited/lapsed	**(1,854,480)**	**$9.411**	(177,973)	$8.127
At 31 December	**40,887,286**	**$9.116**	34,806,479	$9.109
Exercisable options at 31 December	**25,188,639**	**$8.996**	20,867,058	$8.543
Average share price underlying the options exercised		**$8.690**		$9.981

At 31 December 2016, the weighted average remaining contractual life of outstanding share options was 6.4 years (2015: 6.3 years). The aggregate outstanding number of options held by directors of the Bank was 4,366,217 (2015: 4,742,837).

13.3 Employee Share Purchase Plan

In June 2016, the Bank launched its eleventh offering of ESP Plan for Group employees, which commenced on 1 July 2016 and expire on 30 June 2018. Under the offering, the Bank granted 10,644,475 (2015: 8,472,121) rights to acquire ordinary shares in the Bank. There were 4,260 (2015: 3,515) rights granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $9.2 million (2015: $6.2 million). Significant inputs to the valuation model are set out below:

	2016	2015
Acquisition price ($)	**8.45**	10.24
Closing share price at valuation date ($)	**8.45**	10.13
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**20.66**	13.57
Risk-free rate based on 2-year swap rate (%)	**0.99**	0.93
Expected dividend yield (%)	**4.26**	2.84

13. Share Capital and Other Equity (continued)

13.3 Employee Share Purchase Plan (continued)

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2016		2015	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**14,221,456**	**$9.814**	13,681,668	$9.457
Exercised and conversion upon expiry	**(26,443)**	**$9.337**	(5,742,812)	$9.631
Forfeited	**(9,177,286)**	**$9.443**	(2,189,521)	$9.711
Subscription	**10,644,475**	**$8.450**	8,472,121	$10.240
At 31 December	**15,662,202**	**$9.106**	14,221,456	$9.814
Average share price underlying acquisition rights exercised/converted		**$8.876**		$10.258

At 31 December 2016, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2015: 1.0 years). There were 7,775 (2015: 7,377) rights held by a director of the Bank.

13.4 Deferred Share Plan

Total awards of 7,473,690 (2015: 5,517,597) ordinary shares, which included 318,541 (2015: 246,063) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2016. The fair value of the shares at grant date was $66.9 million (2015: $57.0 million).

During the year, 4,350,930 (2015: 4,196,495) deferred shares were released to employees, of which 273,612 (2015: 135,058) deferred shares were released to a director of the Bank who held office as at the end of the financial year. At 31 December 2016, a director of the Bank had deemed interest in 738,024 (2015: 661,959) deferred shares.

The nature, general terms and conditions of Share Option Scheme, Employee Share Purchase Plan and Deferred Share Plan are provided in the Directors' Statement and the Corporate Governance section of the Annual Report.

The accounting treatment of share-based compensation plan is set out in Note 2.19.7.

13. Share Capital and Other Equity (continued)

13.5 Other Equity Instruments

	GROUP AND BANK 2016 $'000	GROUP AND BANK 2015 $'000
SGD500 million 3.80% non-cumulative non-convertible perpetual capital securities ("Capital Securities")	**499,143**	499,143

The Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore ("MAS") Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore ("MAS Notice 637") on the basis that the Bank is subject to the application of MAS Notice 637.

The Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 25 August 2020 ("First Reset Date"). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2020, the Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The Capital Securities bear a fixed distribution rate of 3.80% per annum from the issue date to the First Reset Date and will be reset every 5 years thereafter to a fixed rate equal to the then-prevailing 5-year SGD Swap Offer Rate plus 1.51%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in February and August, unless cancelled by the Bank at its option. The Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

14. Capital Reserves

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**526,910**	517,563	**94,749**	92,107
Share-based staff costs capitalised	**15,020**	11,768	**15,020**	11,768
Shares transferred to DSP Trust	**(70,401)**	(56,526)	**–**	–
Shares vested under DSP Scheme	**42,736**	38,543	**–**	–
Transfer from unappropriated profit (Note 12)	**61,676**	24,688	**–**	–
Transfer to share capital (Note 13.1)	**(4,091)**	(9,126)	**(4,091)**	(9,126)
At 31 December	**571,850**	526,910	**105,678**	94,749

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations.

Other capital reserves include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. Revenue Reserves

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unappropriated profit (Note 12)	**20,259,830**	18,401,132	**11,330,145**	10,592,552
General reserves	**1,331,175**	1,328,862	**1,381,210**	1,114,562
Currency translation reserves	**(917,576)**	(997,822)	**(149,145)**	(161,658)
At 31 December	**20,673,429**	18,732,172	**12,562,210**	11,545,456

15. Revenue Reserves (continued)

15.1 General Reserves

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**1,328,862**	1,328,351	**1,114,562**	1,114,051
Arising from merger of subsidiaries	**–**	–	**264,335**	–
DSP reserve from dividends on unvested shares	**5,630**	4,417	**5,630**	4,417
Transfer to unappropriated profits (Note 12)	**(3,317)**	(3,906)	**(3,317)**	(3,906)
At 31 December	**1,331,175**	1,328,862	**1,381,210**	1,114,562

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 Currency Translation Reserves

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**(997,822)**	(904,841)	**(161,658)**	(180,172)
Movements for the year	**138,361**	167,339	**5,639**	40,662
Effective portion of hedge	**(58,115)**	(260,320)	**6,874**	(22,148)
At 31 December	**(917,576)**	(997,822)	**(149,145)**	(161,658)

Currency translation reserves comprise exchange differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

Refer to Note 39.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

16. Non-Controlling Interests

		GROUP	
	Note	2016 $'000	2015 $'000
Non-controlling interests in subsidiaries		**1,134,940**	1,057,862
Preference shares issued by a subsidiary			
OCBC Capital Corporation (2008)	(a)	**1,500,000**	1,500,000
Total non-controlling interests		**2,634,940**	2,557,862

(a) OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the $1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(e)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

17. Deposits and Balances of Non-Bank Customers and Banks

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deposits of non-bank customers				
Current accounts	**85,411,477**	77,297,408	**42,592,314**	44,182,005
Savings deposits	**48,240,409**	43,099,363	**38,529,930**	34,624,496
Term deposits	**108,300,554**	101,133,221	**59,999,444**	55,223,444
Structured deposits	**5,642,079**	5,241,936	**1,851,605**	1,764,872
Certificate of deposits issued	**11,978,038**	13,655,489	**11,727,423**	13,772,689
Other deposits	**1,913,305**	5,849,914	**1,052,221**	4,600,246
	261,485,862	246,277,331	**155,752,937**	154,167,752
Deposits and balances of banks	**10,739,590**	12,046,711	**9,090,295**	10,165,734
	272,225,452	258,324,042	**164,843,232**	164,333,486

17.1 Deposits of Non-Bank Customers

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Analysed by currency				
Singapore Dollar	**94,413,009**	88,904,684	**90,982,762**	86,012,531
US Dollar	**80,402,221**	72,583,100	**46,760,330**	48,238,934
Malaysian Ringgit	**21,701,024**	22,616,241	**–**	–
Indonesian Rupiah	**7,563,135**	5,692,421	**–**	–
Japanese Yen	**1,652,975**	1,270,133	**648,213**	734,218
Hong Kong Dollar	**27,335,933**	23,692,105	**6,211,565**	3,856,329
British Pound	**5,329,760**	6,858,168	**3,358,238**	5,620,814
Australian Dollar	**8,547,670**	8,007,273	**4,835,998**	5,078,686
Euro	**2,421,464**	2,011,252	**508,916**	924,231
Chinese Renminbi	**8,007,948**	10,500,802	**1,457,006**	2,412,033
Others	**4,110,723**	4,141,152	**989,909**	1,289,976
	261,485,862	246,277,331	**155,752,937**	154,167,752

17.2 Deposits and Balances of Banks

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Analysed by currency				
Singapore Dollar	**716,261**	551,515	**711,711**	549,089
US Dollar	**5,457,242**	5,950,862	**5,190,637**	5,401,654
Malaysian Ringgit	**533,480**	483,589	**11,777**	–
Indonesian Rupiah	**417,254**	154,039	**–**	–
Japanese Yen	**72,392**	19,019	**38,391**	16
Hong Kong Dollar	**921,467**	1,469,394	**904,521**	1,402,216
British Pound	**74,562**	165,275	**72,127**	164,693
Australian Dollar	**1,216,825**	1,643,675	**1,209,203**	1,642,657
Euro	**286,962**	109,320	**286,809**	108,931
Chinese Renminbi	**497,983**	806,798	**135,923**	203,718
Others	**545,162**	693,225	**529,196**	692,760
	10,739,590	12,046,711	**9,090,295**	10,165,734

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.

	2016			2015		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	52,598,526	729,665	682,034	52,000,434	499,078	434,467
Swaps	209,187,749	4,297,135	4,011,655	214,100,822	3,095,730	2,989,726
OTC options – bought	20,533,064	397,285	37,411	20,592,137	384,528	33,932
OTC options – sold	19,678,202	15,896	390,313	18,760,657	9,353	348,075
	301,997,541	5,439,981	5,121,413	305,454,050	3,988,689	3,806,200
Interest rate derivatives ("IRD")						
Swaps	358,496,972	2,206,171	2,150,051	300,103,519	1,947,619	1,961,409
OTC options – bought	294,736	3,171	–	210,236	637	–
OTC options – sold	2,206,866	–	26,565	1,680,402	–	9,460
Exchange traded options – bought	–	–	–	319,650	1,932	–
Exchange traded options – sold	–	–	–	319,650	–	1,687
Exchange traded futures – bought	167,070	161	–	53,860	3	22
Exchange traded futures – sold	1,673,453	1	667	2,344,975	350	60
	362,839,097	2,209,504	2,177,283	305,032,292	1,950,541	1,972,638
Equity derivatives						
Forwards	14,552	–	–	13,731	1,208	–
Swaps	725,969	19,201	19,237	486,337	23,425	23,821
OTC options – bought	1,316,207	21,843	14,406	1,474,060	82,396	3,504
OTC options – sold	1,143,734	19,789	16,779	1,163,251	4,888	68,894
Exchange traded options – bought	–	–	–	16,588	234	–
Exchange traded options – sold	–	–	–	13,676	–	204
Exchange traded futures – bought	–	–	–	8,512	19	#
Exchange traded futures – sold	144,897	5	926	111,510	148	231
Others	7,886	240	6	25,347	67	5,479
	3,353,245	61,078	51,354	3,313,012	112,385	102,133
Credit derivatives						
Swaps – protection buyer	7,977,048	13,986	82,354	10,541,377	55,206	106,865
Swaps – protection seller	7,184,602	82,578	11,017	10,120,161	109,800	50,180
	15,161,650	96,564	93,371	20,661,538	165,006	157,045
Other derivatives						
Precious metals – bought	169,906	419	9,858	428,679	40	10,610
Precious metals – sold	199,177	9,946	762	439,780	10,930	35
OTC options – bought	600,653	16,658	111	109,392	2,122	103
OTC options – sold	600,653	111	16,658	109,392	103	2,122
Futures – sold	–	–	–	2,234	8	–
Commodity swaps	39,503	3,348	3,348	27,198	17,814	17,659
	1,609,892	30,482	30,737	1,116,675	31,017	30,529
Total	684,961,425	7,837,609	7,474,158	635,577,567	6,247,638	6,068,545
Included items designated for hedges:						
Fair value hedge – FED	630,616	286	168,403	706,124	1,046	74,948
Fair value hedge – IRD	6,550,441	75,952	22,700	6,858,934	104,892	47,245
Hedge of net investments – FED	5,222,963	102,874	41,756	3,488,231	14,307	23,956
	12,404,020	179,112	232,859	11,053,289	120,245	146,149

(1) # represents amounts less than $500.

18. Derivative Financial Instruments (continued)

BANK ($'000)	2016 Principal notional amount	2016 Derivative receivables	2016 Derivative payables	2015 Principal notional amount	2015 Derivative receivables	2015 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**24,546,486**	**362,551**	**246,760**	22,736,454	269,529	202,509
Swaps	**191,406,789**	**3,594,828**	**3,411,089**	186,563,096	2,369,110	2,241,345
OTC options – bought	**8,845,329**	**204,319**	**35,585**	11,473,474	286,059	31,915
OTC options – sold	**8,014,687**	**12,175**	**186,497**	10,090,804	7,624	280,770
	232,813,291	**4,173,873**	**3,879,931**	230,863,828	2,932,322	2,756,539
Interest rate derivatives ("IRD")						
Swaps	**328,204,318**	**2,052,646**	**1,988,019**	262,788,965	1,777,127	1,790,272
OTC options – bought	**129,555**	**449**	**–**	169,379	394	–
OTC options – sold	**2,038,452**	**–**	**24,137**	1,318,728	–	7,696
Exchange traded options – bought	**–**	**–**	**–**	319,650	1,932	–
Exchange traded options – sold	**–**	**–**	**–**	319,650	–	1,687
Exchange traded futures – bought	**167,070**	**161**	**–**	53,860	3	22
Exchange traded futures – sold	**1,592,462**	**1**	**549**	2,309,637	323	60
	332,131,857	**2,053,257**	**2,012,705**	267,279,869	1,779,779	1,799,737
Equity derivatives						
Swaps	**663,614**	**18,392**	**18,403**	404,886	11,132	11,132
OTC options – bought	**196,857**	**2,023**	**1,964**	336,964	3,668	–
OTC options – sold	**109,641**	**7,504**	**889**	268,244	9,947	1,772
Exchange traded options – bought	**–**	**–**	**–**	16,588	234	–
Exchange traded options – sold	**–**	**–**	**–**	13,676	–	204
Exchange traded futures – bought	**–**	**–**	**–**	8,512	19	#
Exchange traded futures – sold	**144,897**	**5**	**926**	108,404	141	231
Others	**7,886**	**240**	**6**	7,949	67	27
	1,122,895	**28,164**	**22,188**	1,165,223	25,208	13,366
Credit derivatives						
Swaps – protection buyer	**7,815,162**	**10,961**	**82,089**	10,359,991	51,369	105,912
Swaps – protection seller	**7,043,269**	**82,309**	**7,998**	9,948,490	109,118	46,343
	14,858,431	**93,270**	**90,087**	20,308,481	160,487	152,255
Other derivatives						
Precious metals – sold	**19,430**	**–**	**365**	–	–	–
Commodity swaps	**6,241**	**3,024**	**3,024**	24,758	17,659	17,659
	25,671	**3,024**	**3,389**	24,758	17,659	17,659
Total	**580,952,145**	**6,351,588**	**6,008,300**	519,642,159	4,915,455	4,739,556
Included items designated for hedges:						
Fair value hedge – FED	**630,616**	**286**	**168,403**	706,124	1,046	74,948
Fair value hedge – IRD	**6,095,022**	**72,668**	**20,511**	6,404,223	102,158	43,849
Hedge of net investments – FED	**2,229,795**	**27,150**	**21,100**	1,226,047	5,965	11,369
	8,955,433	**100,104**	**210,014**	8,336,394	109,169	130,166

(1) # represents amounts less than $500.

18. Derivative Financial Instruments (continued)

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**4,418,164**	3,735,395	**3,572,088**	2,902,714
Other financial institutions	**2,177,105**	1,405,657	**1,817,397**	1,203,486
Corporates	**973,702**	901,135	**843,016**	709,938
Individuals	**192,053**	167,903	**42,503**	61,769
Others	**76,585**	37,548	**76,584**	37,548
	7,837,609	6,247,638	**6,351,588**	4,915,455
Analysed by geography				
Singapore	**1,249,303**	1,039,659	**1,260,435**	1,035,808
Malaysia	**650,164**	708,804	**47,286**	51,419
Indonesia	**61,156**	82,227	**22,909**	18,852
Greater China	**1,069,211**	1,046,468	**695,957**	784,426
Other Asia Pacific	**652,009**	376,918	**612,641**	314,976
Rest of the World	**4,155,766**	2,993,562	**3,712,360**	2,709,974
	7,837,609	6,247,638	**6,351,588**	4,915,455

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

19. Other Liabilities

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Bills payable	**386,578**	253,658	**273,822**	179,589
Interest payable	**879,291**	879,597	**514,514**	411,874
Sundry creditors	**3,228,203**	2,584,728	**510,251**	450,258
Others	**1,096,557**	1,188,536	**448,433**	464,717
	5,590,629	4,906,519	**1,747,020**	1,506,438

At 31 December 2016, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $38.8 million (2015: $34.2 million) and $54.6 million (2015: $65.4 million) respectively for the Group.

20. Deferred Tax

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**1,191,984**	1,258,306	**11,105**	22,150
Currency translation and others	**(2,983)**	(2,836)	**(2,728)**	(582)
Net credit to income statements (Note 10)	**(44,168)**	(10,040)	**(19,903)**	(10,146)
(Over)/under provision in prior years	**(536)**	10,680	**1,699**	7,896
Deferred tax on fair value change taken to other comprehensive income	**(5,531)**	(18,989)	**(3,342)**	(8,213)
Net change in life assurance fund tax	**(10,247)**	(45,137)	**–**	–
At 31 December	**1,128,519**	1,191,984	**(13,169)**	11,105

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**90,461**	83,314	**55,907**	51,026
Debt and equity securities	**176,058**	189,553	**3,240**	8,952
Fair value on properties from business combinations	**125,691**	128,458	**50,720**	54,228
Provision for policy liabilities	**833,324**	847,081	**–**	–
Others	**205,359**	182,161	**5,634**	509
	1,430,893	1,430,567	**115,501**	114,715
Amount offset against deferred tax assets	**(106,286)**	(103,212)	**(64,390)**	(62,953)
	1,324,607	1,327,355	**51,111**	51,762
Deferred tax assets				
Allowances for assets	**(201,041)**	(159,065)	**(97,415)**	(87,891)
Tax losses	**(13,360)**	(3,337)	**(12,459)**	(1,461)
Others	**(87,973)**	(76,181)	**(18,796)**	(14,258)
	(302,374)	(238,583)	**(128,670)**	(103,610)
Amount offset against deferred tax liabilities	**106,286**	103,212	**64,390**	62,953
	(196,088)	(135,371)	**(64,280)**	(40,657)
Net deferred tax liabilities/(assets)	**1,128,519**	1,191,984	**(13,169)**	11,105

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 2016, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $67.7 million (2015: $50.1 million) for the Group, $12.1 million (2015: $8.4 million) for the Bank.

21. Debt Issued

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Subordinated debt (unsecured) [Note 21.1]	**6,503,170**	6,479,866	**6,604,073**	6,514,449
Fixed and floating rate notes (unsecured) [Note 21.2]	**3,564,849**	4,856,615	**3,135,696**	4,273,196
Commercial papers (unsecured) [Note 21.3]	**8,572,419**	10,879,247	**8,484,813**	11,385,973
Structured notes (unsecured) [Note 21.4]	**1,306,941**	1,263,301	**1,306,941**	1,263,301
	19,947,379	23,479,029	**19,531,523**	23,436,919

21. Debt Issued (continued)

21.1 Subordinated Debt (Unsecured)

	Note	Issue date	Maturity date	GROUP 2016 $'000	GROUP 2015 $'000
Issued by the Bank:					
USD500 million 3.75% notes	(a)	15 Nov 2010	15 Nov 2022	**726,533**	715,697
USD1 billion 3.15% notes	(b)	11 Sep 2012	11 Mar 2023	**1,445,298**	1,411,763
USD1 billion 4.00% notes	(c)	15 Apr 2014	15 Oct 2024	**1,451,179**	1,423,960
USD1 billion 4.25% notes	(d)	19 Jun 2014	19 Jun 2024	**1,481,063**	1,463,029
SGD1.5 billion 5.10% notes	(e)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				6,604,073	6,514,449
Subordinated debt issued to subsidiaries				**(1,500,000)**	(1,500,000)
Net subordinated debt issued by the Bank				**5,104,073**	5,014,449
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR200 million 5.40% Islamic bonds	(f)	24 Nov 2006	24 Nov 2021	**–**	65,894
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(g)	17 Apr 2009	Not applicable	**128,985**	131,788
MYR600 million 4.00% bonds	(h)	15 Aug 2012	15 Aug 2022	**193,292**	196,265
				322,277	393,947
Issued by OCBC Wing Hang Bank ("OCBC Wing Hang"):					
USD400 million 6.00% step-up perpetual notes	(i)	19 Apr 2007	Not applicable	**582,248**	581,514
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR880 billion 11.35% Subordinated Bonds III	(j)	30 Jun 2010	30 Jun 2017	**94,972**	90,456
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(k)	19 Jan 2011	19 Jan 2026	**399,600**	399,500
Total subordinated debt				**6,503,170**	6,479,866

(a) The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. Interest is payable semi-annually on 15 May and 15 November each year at 3.75% per annum up to 15 November 2017, and thereafter quarterly on 15 February, 15 May, 15 August and 15 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate plus 1.848% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 15 October 2019. They can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 15 April and 15 October each year at 4.00% per annum up to 15 October 2019, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.203% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

21. Debt Issued (continued)

21.1 Subordinated Debt (Unsecured) (continued)

(d) The subordinated notes can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 19 June and 19 December each year at 4.25% per annum. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the $1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.

(f) The Islamic subordinated bonds were fully redeemed by OCBC Malaysia on 24 November 2016.

(g) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Additional Tier 1 capital for the Group.

(h) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 15 August 2017 and each interest payment date thereafter. Interest is payable semi-annually on 15 February and 15 August each year at 4.00% per annum. OCBC Malaysia had entered into interest rate swaps to partially manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(i) The perpetual notes are redeemable in whole at the option of OCBC Wing Hang on 20 April 2017 and each interest payment date thereafter. Interest is payable semi-annually on 20 April and 20 October each year at 6.00% per annum up to 19 April 2017, and thereafter at a floating rate of 3-month London Interbank Offer Rate plus 1.85% per annum if the redemption option is not exercised.

(j) Interest is payable quarterly on 30 March, 30 June, 30 September and 30 December each year at 11.35% per annum. The subordinated bonds qualify as Tier 2 capital for the Group.

(k) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (Unsecured)

	Note	Issue date	Maturity date	GROUP 2016 $'000	GROUP 2015 $'000
Issued by the Bank:					
AUD400 million floating rate notes	(a)	22 Aug 2013 – 5 Sep 2013	22 Aug 2016	**–**	412,846
AUD500 million floating rate notes	(b)	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	**523,125**	516,159
AUD300 million floating rate notes	(c)	6 Mar 2015	6 Jun 2019	**313,676**	309,521
AUD500 million floating rate notes	(d)	12 Nov 2015 – 2 Dec 2015	12 Nov 2018	**522,918**	516,008
AUD300 million floating rate notes	(e)	17 Mar 2016	17 Mar 2020	**313,701**	–
CNY500 million 3.50% fixed rate notes	(f)	5 Feb 2013	5 Feb 2020	**103,987**	107,334
CNY200 million 2.70% fixed rate notes	(f)	5 Jun 2014	5 Jun 2017	**41,594**	42,930
GBP250 million floating rate notes	(g)	15 May 2014	15 May 2017	**444,570**	524,103
HKD1 billion 2.20% fixed rate notes	(h)	19 Jan 2012	19 Jan 2017	**186,473**	182,981
HKD1.35 billion 1.67% fixed rate notes	(h)	24 Sep 2014	15 Sep 2017	**251,802**	247,860
USD200 million floating rate notes	(i)	2 May 2014	2 May 2017	**289,248**	282,680
USD700 million floating rate notes	(j)	22 Aug 2013 – 29 Jun 2015	9 Jan 2016 – 16 Dec 2016	**–**	989,432
USD100 million 1.52% fixed rate notes	(k)	11 Dec 2014	11 Dec 2017	**144,602**	141,342
				3,135,696	4,273,196
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR1,498 billion 7.40% fixed rate bonds	(l)	19 Feb 2013	19 Feb 2016	**–**	154,264
IDR900 billion 7.00% fixed rate notes	(m)	18 Apr 2013	18 Apr 2016	**–**	92,582
IDR1,095 billion 9.00% fixed rate bonds	(l)	10 Feb 2015	20 Feb 2016	**–**	112,739
IDR670 billion 9.40% fixed rate bonds	(h)	10 Feb 2015	10 Feb 2017	**72,347**	68,894
IDR1,235 billion 9.80% fixed rate bonds	(h)	10 Feb 2015	10 Feb 2018	**133,224**	126,935
IDR837 billion 7.50% fixed rate bonds	(h)	11 May 2016	21 May 2017	**90,268**	–
IDR380 billion 8.00% fixed rate bonds	(h)	11 May 2016	11 May 2018	**40,936**	–
IDR783 billion 8.25% fixed rate bonds	(h)	11 May 2016	11 May 2019	**84,316**	–
				421,091	555,414
Issued by Pac Lease Berhad:					
MYR60 million 4.30% fixed rate notes	(n)	18 Jul 2014	18 Jan 2016	**–**	19,768
MYR10 million 4.50% fixed rate notes	(f)	7 Oct 2015	7 Apr 2017	**3,225**	3,295
MYR15 million 4.60% fixed rate notes	(f)	7 Oct 2015	7 Apr 2017	**4,837**	4,942
				8,062	28,005
Total fixed and floating rate notes				**3,564,849**	4,856,615

(a) The notes were fully redeemed by the Bank on 22 August 2016.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.65% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.86% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.20% per annum.

(f) Interest is payable semi-annually.

(g) Interest is payable quarterly at the 3-month Sterling London Interbank Offer Rate plus 0.40% per annum.

(h) Interest is payable quarterly.

(i) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus 0.39% per annum.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (Unsecured) (continued)

(j) The notes were fully redeemed by the Bank on 9 January, 17 June, 29 June, 22 August, 21 November and 16 December 2016.

(k) Interest is payable annually.

(l) The bonds were fully redeemed by OCBC NISP on 19 and 20 February 2016.

(m) The notes were fully redeemed by OCBC NISP on 18 April 2016.

(n) The notes were fully redeemed by Pac Lease Berhad on 18 January 2016.

21.3 Commercial Papers (Unsecured)

	Note	GROUP 2016 $'000	GROUP 2015 $'000
Issued by the Bank	(a)	**8,484,813**	11,385,973
Commercial papers issued to a subsidiary		**–**	(578,976)
		8,484,813	10,806,997
Issued by Pac Lease Berhad	(b)	**87,606**	72,250
		8,572,419	10,879,247

(a) The commercial papers were issued by the Bank under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding at 31 December 2016 were issued between 7 July 2016 (2015: 9 July 2015) and 23 December 2016 (2015: 29 December 2015), and mature between 3 January 2017 (2015: 5 January 2016) and 15 November 2017 (2015: 27 May 2016), yielding between 0.38% and 1.10% (2015: 0.28% and 0.70%).

(b) The commercial papers were issued by the Group's subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2016 were issued between 10 November 2016 (2015: 4 December 2015) and 28 December 2016 (2015: 29 December 2015), and mature between 5 January 2017 (2015: 4 January 2016) and 27 January 2017 (2015: 22 February 2016), with interest rate ranging from 3.72% to 4.05% (2015: 4.05% to 4.30%).

21.4 Structured Notes (Unsecured)

	Issue date	Maturity date	GROUP 2016 $'000	GROUP 2015 $'000
Issued by the Bank:				
Credit linked notes	17 Feb 2012 – 29 Dec 2016	15 Jan 2017 – 8 Sep 2025	**1,008,967**	1,054,444
Fixed rate notes	25 Jul 2012 – 27 Dec 2012	25 Jul 2017 – 28 Dec 2037	**122,909**	189,322
Interest rate linked notes	25 Jun 2013	27 Jun 2016	**–**	10,000
Foreign exchange linked notes	13 Feb 2015	2 Feb 2016	**–**	1,712
Equity linked notes	5 Jul 2016 – 28 Dec 2016	6 Jan 2017 – 1 Aug 2017	**7,599**	7,823
Bond linked notes	24 Jun 2016 – 28 Dec 2016	8 May 2018 – 20 Dec 2022	**161,184**	–
Fund linked notes	27 Jul 2016	27 Jul 2017	**6,282**	–
			1,306,941	1,263,301

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for $706.2 million (2015: $912.0 million) included under credit linked notes and $161.2 million (2015: Nil) included under bond linked notes as at 31 December 2016 which were held at fair value through profit or loss.

In accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit and loss, and were included as part of the Group's derivatives in Note 18 to the financial statements. This accounting treatment is also in line with the Group's accounting policy for derivatives (Note 2.7).

22. Life Assurance Fund Liabilities and Investment Assets

	GROUP	
	2016 $ million	2015 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	50,478.1	50,678.3
Currency translation	(427.2)	(2,779.6)
Fair value reserve movements	176.6	(769.5)
Disposal of subsidiary	(3.5)	–
Change in life assurance fund contract liabilities (Note 4)	4,657.1	3,348.9
At 31 December	54,881.1	50,478.1
Policy benefits	3,319.5	3,082.5
Others	3,760.6	3,433.4
	61,961.2	56,994.0
Life assurance fund investment assets		
Deposits with banks and financial institutions	2,097.4	2,010.7
Loans	3,750.1	3,925.9
Securities	53,124.6	48,087.0
Investment property	1,539.0	1,568.1
Others [(1)]	1,461.2	1,390.7
	61,972.3	56,982.4
Life assurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	268.7	301.5
Deferred tax	1,002.9	1,013.1
Assets		
Cash and placements with central banks	#	#
Placements with and loans to banks	669.8	728.5
Property, plant and equipment	590.6	597.7
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	14.6	12.6
Capital commitment authorised and contracted	225.0	217.7
Derivative financial instruments (principal notional amount)	12,478.1	10,405.2
Derivative receivables	78.4	36.6
Derivative payables	732.9	516.5
Minimum lease rental receivables under non-cancellable operating leases	73.1	83.5

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash on hand	801,419	849,584	486,374	533,128
Non-restricted balances with central banks	585,324	401,200	207,285	341,839
Money market placements and reverse repos with central banks	9,789,786	14,650,114	7,715,204	12,062,467
Cash and cash equivalents	11,176,529	15,900,898	8,408,863	12,937,434
Restricted balances with central banks – mandatory reserve deposits	5,382,934	5,278,998	2,955,886	2,708,283
	16,559,463	21,179,896	11,364,749	15,645,717

24. Government Treasury Bills and Securities

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**590,222**	330,420	**590,222**	330,420
Available-for-sale, at fair value	**7,475,673**	8,327,204	**7,112,024**	8,045,905
Fair value at initial recognition	**–**	15,003	**–**	–
Gross securities	**8,065,895**	8,672,627	**7,702,246**	8,376,325
Assets pledged (Note 46)	**–**	(37,134)	**–**	(37,134)
	8,065,895	8,635,493	**7,702,246**	8,339,191
Other government treasury bills and securities				
Trading, at fair value	**2,181,384**	1,720,174	**1,756,567**	1,400,965
Available-for-sale, at fair value	**14,119,458**	10,691,703	**5,410,371**	5,451,956
Fair value at initial recognition	**–**	14,685	**–**	–
Gross securities	**16,300,842**	12,426,562	**7,166,938**	6,852,921
Assets pledged (Note 46)	**(2,302)**	(60,501)	**(2,302)**	(59,078)
	16,298,540	12,366,061	**7,164,636**	6,793,843
Gross securities analysed by geography				
Singapore	**8,065,895**	8,672,627	**7,702,246**	8,376,325
Malaysia	**2,397,211**	2,843,592	**59,940**	14,232
Indonesia	**2,731,696**	1,075,397	**81,144**	12,963
Greater China	**1,679,728**	2,664,365	**95,387**	1,617,008
Other Asia Pacific	**5,945,051**	4,260,307	**5,802,527**	4,175,134
Rest of the World	**3,547,156**	1,582,901	**1,127,940**	1,033,584
	24,366,737	21,099,189	**14,869,184**	15,229,246

25. Placements with and Loans to Banks

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**1,857,555**	1,741,661	**1,828,692**	1,741,661
Certificate of deposits purchased (Available-for-sale)	**14,697,957**	11,850,863	**11,655,224**	10,260,171
	16,555,512	13,592,524	**13,483,916**	12,001,832
At amortised cost:				
Placements with and loans to banks	**19,606,693**	17,660,822	**14,792,402**	13,154,657
Market bills purchased	**1,480,917**	3,000,110	**1,480,917**	3,000,110
Reverse repos	**2,015,010**	1,045,540	**1,979,813**	1,032,610
	23,102,620	21,706,472	**18,253,132**	17,187,377
Balances with banks	**39,658,132**	35,298,996	**31,737,048**	29,189,209
Assets pledged (Note 46)	**(527,285)**	(236,754)	**(527,285)**	(236,754)
Bank balances of life assurance fund – at amortised cost	**669,837**	728,519	**–**	–
	39,800,684	35,790,761	**31,209,763**	28,952,455

25. Placements with and Loans to Banks (continued)

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**597,019**	1,161,835	**28,215**	792,161
US Dollar	**27,739,829**	22,616,328	**24,689,205**	20,272,900
Malaysian Ringgit	**698,226**	604,878	**24**	31
Indonesian Rupiah	**386,358**	158,493	**2**	2
Japanese Yen	**1,079,983**	1,696,939	**966,981**	1,522,437
Hong Kong Dollar	**2,301,428**	2,365,802	**1,333,080**	2,002,063
British Pound	**663,549**	1,084,993	**605,567**	1,027,560
Australian Dollar	**753,580**	452,476	**667,007**	245,443
Euro	**2,879,577**	924,316	**2,847,888**	913,197
Chinese Renminbi	**2,252,261**	3,862,840	**499,721**	2,374,000
Others	**306,322**	370,096	**99,358**	39,415
	39,658,132	35,298,996	**31,737,048**	29,189,209
By geography				
Singapore	**588,812**	740,137	**78,971**	288,475
Malaysia	**4,721,810**	2,648,706	**3,339,974**	1,947,689
Indonesia	**1,035,997**	935,576	**640,923**	714,659
Greater China	**25,422,982**	21,174,085	**21,598,849**	17,931,093
Other Asia Pacific	**4,110,503**	3,296,384	**3,787,313**	3,088,189
Rest of the World	**3,778,028**	6,504,108	**2,291,018**	5,219,104
	39,658,132	35,298,996	**31,737,048**	29,189,209

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

26. Loans and Bills Receivable

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross loans	**220,152,185**	210,664,820	**133,597,822**	130,045,784
Specific allowances (Note 28)	**(616,478)**	(359,993)	**(321,315)**	(110,069)
Portfolio allowances (Note 29)	**(2,240,779)**	(2,059,533)	**(1,402,752)**	(1,305,541)
Net loans	**217,294,928**	208,245,294	**131,873,755**	128,630,174
Assets pledged (Note 46)	**(464,746)**	(27,036)	**–**	–
	216,830,182	208,218,258	**131,873,755**	128,630,174
Bills receivable	**6,529,439**	8,564,895	**5,318,748**	6,639,542
Loans	**210,765,489**	199,680,399	**126,555,007**	121,990,632
Net loans	**217,294,928**	208,245,294	**131,873,755**	128,630,174
26.1 Analysed by Currency				
Singapore Dollar	**81,260,631**	80,496,238	**78,677,536**	78,522,864
US Dollar	**56,575,722**	49,407,871	**35,710,995**	33,179,431
Malaysian Ringgit	**20,551,673**	21,273,104	**100**	118
Indonesian Rupiah	**7,485,729**	6,510,831	**–**	–
Japanese Yen	**2,232,922**	1,921,057	**376,979**	499,604
Hong Kong Dollar	**30,339,172**	29,457,515	**7,135,843**	7,293,710
British Pound	**5,440,417**	3,749,517	**3,749,379**	2,654,543
Australian Dollar	**5,642,387**	4,300,696	**5,088,370**	3,848,798
Euro	**2,681,588**	3,345,755	**1,025,966**	1,361,907
Chinese Renminbi	**5,182,259**	7,508,674	**872,513**	1,787,592
Others	**2,759,685**	2,693,562	**960,141**	897,217
	220,152,185	210,664,820	**133,597,822**	130,045,784

26. Loans and Bills Receivable (continued)

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
26.2 Analysed by Product				
Overdrafts	**5,016,070**	7,517,630	**843,107**	942,995
Short-term and revolving loans	**49,521,159**	39,261,112	**18,635,251**	18,510,054
Syndicated and term loans [1]	**72,091,853**	71,491,253	**59,192,481**	58,404,842
Housing and commercial property loans	**68,210,416**	65,774,940	**39,957,227**	37,234,450
Car, credit card and share margin loans	**5,536,070**	5,394,136	**2,741,431**	2,462,483
Others [1]	**19,776,617**	21,225,749	**12,228,325**	12,490,960
	220,152,185	210,664,820	**133,597,822**	130,045,784

[1] Comparatives have been restated to conform to current year's presentation.

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
26.3 Analysed by Industry				
Agriculture, mining and quarrying	**8,973,562**	7,393,647	**6,319,710**	4,934,548
Manufacturing	**12,697,511**	13,222,265	**4,827,184**	5,520,017
Building and construction	**35,631,618**	34,406,902	**26,953,828**	25,326,922
Housing	**60,149,282**	56,057,862	**37,708,375**	34,668,043
General commerce	**25,348,258**	26,127,588	**17,395,643**	16,762,466
Transport, storage and communication	**11,519,930**	12,359,732	**8,272,744**	8,783,677
Financial institutions, investment and holding companies	**30,491,149**	27,463,052	**16,234,476**	17,819,857
Professionals and individuals	**26,395,601**	23,464,291	**9,726,256**	9,375,963
Others	**8,945,274**	10,169,481	**6,159,606**	6,854,291
	220,152,185	210,664,820	**133,597,822**	130,045,784
26.4 Analysed by Interest Rate Sensitivity				
Fixed				
Singapore	**7,218,536**	6,896,899	**7,179,911**	6,862,199
Malaysia	**2,836,081**	3,107,916	**–**	–
Indonesia	**1,012,718**	1,370,755	**–**	–
Greater China	**6,872,022**	8,220,509	**2,732,339**	2,887,754
Other Asia Pacific	**211,097**	299,090	**211,097**	299,090
Rest of the World	**11,455**	75	**11,455**	75
	18,161,909	19,895,244	**10,134,802**	10,049,118
Variable				
Singapore	**123,258,775**	116,705,207	**100,840,725**	100,577,632
Malaysia	**24,652,160**	24,718,669	**5,041,068**	4,581,102
Indonesia	**9,133,817**	7,543,987	**–**	–
Greater China	**34,567,028**	33,991,577	**7,202,731**	7,027,802
Other Asia Pacific	**6,121,765**	4,654,068	**6,121,765**	4,654,062
Rest of the World	**4,256,731**	3,156,068	**4,256,731**	3,156,068
	201,990,276	190,769,576	**123,463,020**	119,996,666
Total	**220,152,185**	210,664,820	**133,597,822**	130,045,784

The analysis by interest rate sensitivity is based on where the transactions are booked.

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
26.5 Analysed by Geography				
Singapore	**93,580,113**	87,539,868	**85,638,078**	81,960,020
Malaysia	**27,948,239**	28,598,521	**4,525,598**	4,572,655
Indonesia	**18,138,012**	17,216,167	**6,366,067**	6,562,504
Greater China	**53,996,540**	56,416,108	**19,141,056**	21,479,942
Other Asia Pacific	**11,988,045**	10,644,169	**9,170,139**	8,366,107
Rest of the World	**14,501,236**	10,249,987	**8,756,884**	7,104,556
	220,152,185	210,664,820	**133,597,822**	130,045,784

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

27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2016						
Classified loans	**1,848**	**548**	**387**	**2,783**	**(610)**	**2,173**
Classified debt securities	**35**	**45**	**#**	**80**	**(26)**	**54**
Classified contingents	**19**	**4**	**–**	**23**	**(4)**	**19**
Total classified assets	**1,902**	**597**	**387**	**2,886**	**(640)**	**2,246**
2015						
Classified loans	1,430	290	249	1,969	(340)	1,629
Classified debt securities	–	39	1	40	(12)	28
Classified contingents	26	2	2	30	(2)	28
Total classified assets	1,456	331	252	2,039	(354)	1,685
BANK						
2016						
Classified loans	**1,300**	**387**	**148**	**1,835**	**(317)**	**1,518**
Classified debt securities	**35**	**–**	**#**	**35**	**–**	**35**
Classified contingents	**19**	**2**	**–**	**21**	**(4)**	**17**
Total classified assets	**1,354**	**389**	**148**	**1,891**	**(321)**	**1,570**
2015						
Classified loans	958	148	95	1,201	(110)	1,091
Classified debt securities	–	–	–	–	–	–
Classified contingents	10	–	–	10	–	10
Total classified assets	968	148	95	1,211	(110)	1,101

(1) # represents amounts less than $0.5 million.

	GROUP		BANK	
	2016 $ million	2015 $ million	2016 $ million	2015 $ million
27.1 Analysed by Period Overdue				
Over 180 days	**1,528**	590	**1,000**	253
Over 90 days to 180 days	**337**	378	**184**	219
30 days to 90 days	**248**	284	**160**	145
Less than 30 days	**323**	206	**301**	204
No overdue	**450**	581	**246**	390
	2,886	2,039	**1,891**	1,211
27.2 Analysed by Collateral Type				
Property	**802**	689	**305**	240
Fixed deposit	**3**	5	**3**	1
Stock and shares	**14**	44	**9**	9
Motor vehicles	**4**	4	**1**	3
Secured – Others	**1,123**	713	**1,010**	571
Unsecured – Corporate and other guarantees	**371**	283	**232**	262
Unsecured – Clean	**569**	301	**331**	125
	2,886	2,039	**1,891**	1,211

27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents (continued)

	GROUP		BANK	
	2016 $ million	2015 $ million	2016 $ million	2015 $ million
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**170**	343	**99**	276
Manufacturing	**292**	480	**62**	201
Building and construction	**94**	107	**31**	33
Housing	**406**	278	**185**	143
General commerce	**376**	198	**108**	65
Transport, storage and communication	**608**	274	**571**	241
Financial institutions, investment and holding companies	**482**	203	**472**	171
Professionals and individuals	**170**	129	**96**	69
Others	**288**	27	**267**	12
	2,886	2,039	**1,891**	1,211

27.4 Analysed by Geography

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2016						
Substandard	**404**	**485**	**433**	**219**	**361**	**1,902**
Doubtful	**248**	**81**	**120**	**114**	**34**	**597**
Loss	**148**	**44**	**138**	**56**	**1**	**387**
	800	**610**	**691**	**389**	**396**	**2,886**
Specific allowances	**(234)**	**(121)**	**(173)**	**(89)**	**(23)**	**(640)**
	566	**489**	**518**	**300**	**373**	**2,246**
2015						
Substandard	337	628	316	74	101	1,456
Doubtful	113	77	10	112	19	331
Loss	95	27	74	55	1	252
	545	732	400	241	121	2,039
Specific allowances	(83)	(144)	(58)	(52)	(17)	(354)
	462	588	342	189	104	1,685
BANK						
2016						
Substandard	**404**	**123**	**403**	**63**	**361**	**1,354**
Doubtful	**245**	**–**	**99**	**17**	**28**	**389**
Loss	**148**	**–**	**–**	**#**	**–**	**148**
	797	**123**	**502**	**80**	**389**	**1,891**
Specific allowances	**(233)**	**–**	**(61)**	**(10)**	**(17)**	**(321)**
	564	**123**	**441**	**70**	**372**	**1,570**
2015						
Substandard	337	231	276	24	100	968
Doubtful	113	–	–	21	14	148
Loss	95	–	–	–	–	95
	545	231	276	45	114	1,211
Specific allowances	(83)	–	(4)	(11)	(12)	(110)
	462	231	272	34	102	1,101

[1] # represents amounts less than $0.5 million.

Non-performing loans ("NPLs"), debt securities and contingents by geography are determined based on where the credit risk resides.

27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents (continued)

27.5 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 38.2% (2015: 20.8%) and 53.4% (2015: 24.0%) for the Group and the Bank respectively.

	2016		2015	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	865	72	365	13
Doubtful	156	118	39	34
Loss	42	28	5	4
	1,063	218	409	51
BANK				
Substandard	844	57	259	1
Doubtful	136	103	29	25
Loss	–	–	–	–
	980	160	288	26

28. Specific Allowances

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	359,993	331,853	110,069	94,640
Currency translation	7,023	(16,660)	7,115	984
Bad debts written off	(220,981)	(176,887)	(97,813)	(86,959)
Recovery of amounts previously provided for	(54,970)	(53,446)	(31,486)	(34,204)
Allowances for loans	539,185	285,368	341,132	143,544
Net allowances charged to income statements (Note 9)	484,215	231,922	309,646	109,340
Interest recognition on impaired loans	(17,511)	(6,736)	(11,441)	(4,437)
Transfer from/(to) other assets	3,739	(3,499)	3,739	(3,499)
At 31 December (Note 26)	616,478	359,993	321,315	110,069

28. Specific Allowances (continued)

Analysed by industry

	Cumulative specific allowances		Net specific allowances charged to income statements	
	2016 $ million	2015 $ million	2016 $ million	2015 $ million
GROUP				
Agriculture, mining and quarrying	**15**	9	**22**	8
Manufacturing	**83**	94	**62**	52
Building and construction	**39**	31	**11**	6
Housing	**44**	28	**16**	5
General commerce	**99**	81	**76**	82
Transport, storage and communication	**116**	11	**97**	1
Financial institutions, investment and holding companies	**87**	2	**84**	(1)
Professionals and individuals	**90**	87	**77**	86
Others	**43**	17	**39**	(7)
	616	360	**484**	232
BANK				
Agriculture, mining and quarrying	**6**	8	**24**	8
Manufacturing	**12**	13	**1**	16
Building and construction	**13**	2	**14**	1
Housing	**7**	#	**–**	–
General commerce	**22**	24	**21**	37
Transport, storage and communication	**95**	2	**94**	(10)
Financial institutions, investment and holding companies	**87**	–	**84**	(3)
Professionals and individuals	**54**	58	**47**	61
Others	**25**	3	**25**	(1)
	321	110	**310**	109

[1] # represents amounts less than $0.5 million.

29. Portfolio Allowances

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	**2,059,533**	1,896,773	**1,305,541**	1,192,479
Currency translation	**9,780**	(13,870)	**924**	9,397
Allowances charged to income statements (Note 9)	**171,466**	176,630	**96,287**	103,665
At 31 December (Note 26)	**2,240,779**	2,059,533	**1,402,752**	1,305,541

30. Debt and Equity Securities

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trading securities				
Quoted debt securities	**1,920,867**	1,445,885	**1,343,438**	967,903
Unquoted debt securities	**2,214,880**	2,065,676	**1,895,493**	1,641,027
Quoted equity securities	**229,585**	205,514	**229,092**	168,366
Quoted investment funds	**30,693**	8,384	**30,693**	8,352
	4,396,025	3,725,459	**3,498,716**	2,785,648
Fair value at initial recognition				
Quoted debt securities	**452,854**	1,090,751	**–**	–
Unquoted debt securities	**12,467**	97,801	**–**	–
Quoted equity securities	**157,404**	134,891	**–**	–
Quoted investment funds	**7,245**	8,070	**–**	–
	629,970	1,331,513	**–**	–
Available-for-sale securities				
Quoted debt securities	**11,036,413**	11,101,068	**5,534,583**	5,875,169
Unquoted debt securities	**5,126,886**	5,182,193	**2,642,221**	2,958,892
Quoted equity securities	**1,463,868**	1,395,227	**109,215**	141,455
Unquoted equity securities	**275,271**	278,517	**94,865**	113,259
Quoted investment funds	**402,406**	333,039	**–**	11,607
Unquoted investment funds	**522,698**	382,327	**53,459**	31,267
	18,827,542	18,672,371	**8,434,343**	9,131,649
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**97,714**	147,580	**85,480**	112,275
Total debt and equity securities				
Debt securities	**20,862,081**	21,130,954	**11,501,215**	11,555,266
Equity securities	**2,126,128**	2,014,149	**433,172**	423,080
Investment funds	**963,042**	731,820	**84,152**	51,226
Total securities	**23,951,251**	23,876,923	**12,018,539**	12,029,572
Assets pledged (Note 46)	**(794,582)**	(1,090,460)	**(406,343)**	(674,734)
	23,156,669	22,786,463	**11,612,196**	11,354,838
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**13,935,692**	13,851,880	**7,828,291**	7,468,469
Non-investment grade (BB to C)	**413,280**	339,393	**320,323**	260,360
Non-rated	**6,513,109**	6,939,681	**3,352,601**	3,826,437
	20,862,081	21,130,954	**11,501,215**	11,555,266
By credit quality				
Pass	**20,752,783**	21,034,715	**11,411,199**	11,493,025
Special mention	**60,164**	68,031	**60,164**	62,241
Substandard	**29,852**	–	**29,852**	–
Doubtful	**19,282**	28,208	**–**	–
Loss	**–**	–	**–**	–
	20,862,081	21,130,954	**11,501,215**	11,555,266

30. Debt and Equity Securities (continued)

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**1,166,812**	1,438,766	**823,087**	813,735
Manufacturing	**1,679,849**	2,151,553	**1,060,296**	1,266,944
Building and construction	**2,616,139**	2,639,232	**1,342,426**	1,372,696
General commerce	**645,468**	865,491	**513,213**	629,364
Transport, storage and communication	**1,698,806**	1,734,327	**863,147**	747,610
Financial institutions, investment and holding companies	**13,517,226**	11,761,420	**6,198,296**	6,225,654
Others	**2,626,951**	3,286,134	**1,218,074**	973,569
	23,951,251	23,876,923	**12,018,539**	12,029,572
By issuer				
Public sector	**2,429,801**	2,069,683	**1,972,162**	1,792,179
Banks	**7,153,273**	7,464,443	**3,505,538**	3,947,116
Corporations	**13,260,801**	13,647,477	**6,487,193**	6,245,064
Others	**1,107,376**	695,320	**53,646**	45,213
	23,951,251	23,876,923	**12,018,539**	12,029,572
By geography				
Singapore	**3,977,097**	4,138,501	**1,948,808**	2,123,932
Malaysia	**1,926,658**	1,941,172	**258,904**	299,659
Indonesia	**1,127,007**	1,164,894	**797,618**	915,581
Greater China	**8,633,833**	8,976,704	**4,074,237**	4,130,953
Other Asia Pacific	**5,309,439**	4,650,389	**3,035,966**	2,791,464
Rest of the World	**2,977,217**	3,005,263	**1,903,006**	1,767,983
	23,951,251	23,876,923	**12,018,539**	12,029,572

The analysis by geography is determined based on country of incorporation.

31. Other Assets

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest receivable	**886,456**	958,391	**552,620**	599,301
Sundry debtors (net)	**2,292,116**	1,864,553	**23,697**	37,412
Deposits and prepayments	**1,071,500**	940,342	**786,447**	621,263
Others	**639,226**	578,097	**228,357**	228,872
	4,889,298	4,341,383	**1,591,121**	1,486,848

At 31 December 2016, reinsurance assets included in "Others" amounted to $161.8 million (2015: $168.9 million) for the Group.

32. Allowances for Impairment of Securities and Other Assets

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2015	–	65,111	2,832	13,000	80,943
Currency translation	–	(1,640)	(55)	(854)	(2,549)
Amounts written off	–	–	–	(4,387)	(4,387)
Impairment charge to income statements (Note 9)	–	–	110	7,988	8,098
Transfers to other accounts	–	(126)	(362)	(188)	(676)
At 31 December 2015/1 January 2016	–	63,345	2,525	15,559	81,429
Currency translation	483	(236)	(4)	(193)	50
Amounts written off	(35,026)	–	–	(4,526)	(39,552)
Impairment charge/(write-back) to income statements (Note 9)	34,543	1	(14)	2,178	36,708
Transfers to other accounts	–	–	–	(3,336)	(3,336)
At 31 December 2016	–	63,110	2,507	9,682	75,299
		(Note 35)	(Note 36)		

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2015	5,287	–	946	2,525	391	9,149
Currency translation	–	–	–	–	19	19
Amounts written off	–	–	–	–	(615)	(615)
Impairment charge/(write-back) to income statements (Note 9)	28,500	–	–	(126)	4,314	32,688
Transfers (to)/from other accounts	–	–	(126)	126	69	69
At 31 December 2015/1 January 2016	33,787	–	820	2,525	4,178	41,310
Currency translation	–	484	–	–	(21)	463
Amounts written off	(28,517)	(27,155)	–	–	(143)	(55,815)
Impairment charge/(write-back) to income statements (Note 9)	13,354	26,671	–	(128)	219	40,116
Transfers to other accounts	–	–	–	–	(3,739)	(3,739)
At 31 December 2016	18,624	–	820	2,397	494	22,335
	(Notes 33-34)		(Note 35)	(Note 36)		

33. Associates

	GROUP 2016 $'000	GROUP 2015 $'000	BANK 2016 $'000	BANK 2015 $'000
Quoted equity security, at cost	**1,357,689**	1,357,689	**433,197**	433,197
Unquoted equity securities, at cost	**224,280**	224,946	**163,534**	165,308
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**1,581,969**	1,582,635	**594,532**	596,306
Share of post-acquisition reserves	**812,664**	641,200	**–**	–
Unsecured loans and receivables	**20,835**	22,405	**–**	–
Secured loans and receivables	**–**	2,127	**–**	–
Amount due from associates	**20,835**	24,532	**–**	–
Investments in and amount due from associates	**2,415,468**	2,248,367	**594,532**	596,306

The Group applied equity method for all its investments in associates.

As at 31 December 2016, 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] 2016	Effective % interest held [3] 2015
Quoted				
Bank of Ningbo Co., Ltd [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
AVIC Trust Co., Ltd [2]	People's Republic of China	Provides professional financial and asset management services, which enable the Group to enhance its Greater China presence.	**20**	20
Network for Electronic Transfers (Singapore) Pte Ltd [1]	Singapore	Provides electronic payment services, which enables the Group to extend funds transfer services to its broad customer base.	**33**	33

(1) Audited by Ernst & Young.
(2) Audited by Grant Thornton.
(3) Rounded to the nearest percentage.

As at 31 December 2016, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo, which is listed on the Shenzhen Stock Exchange, was $2,700.5 million (2015: $2,636.3 million), and the carrying amount of the Group's interests was $1,892.6 million (2015: $1,750.7 million).

As Bank of Ningbo is a listed bank on the Shenzhen Stock Exchange, the entity's ability to transfer funds to the Group is subject to local listing and statutory regulations.

33. Associates (continued)

The table below provides the financial information of the Group's material associates:

$ million	Bank of Ningbo Co., Ltd 2016	Bank of Ningbo Co., Ltd 2015	AVIC Trust Co., Ltd 2016	AVIC Trust Co., Ltd 2015
Selected income statement information				
Revenue	**4,862**	4,260	**496**	440
Profit or loss from continuing operations	**1,625**	1,439	**270**	236
Other comprehensive income	**(115)**	218	**–**	–
Total comprehensive income	**1,510**	1,657	**270**	236
Selected balance sheet information				
Current assets	**111,690**	84,720	**420**	324
Non-current assets	**72,377**	71,014	**1,385**	1,542
Current liabilities	**(159,017)**	(129,815)	**(492)**	(733)
Non-current liabilities	**(14,560)**	(16,094)	**–**	–
Net assets	**10,490**	9,825	**1,313**	1,133
Non-controlling interests	**(23)**	(21)	**–**	–
Preference shares issued	**(1,004)**	(1,051)	**–**	–
Net assets attributable to ordinary shareholders	**9,463**	8,753	**1,313**	1,133
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements				
Group's interests in net assets of investee at beginning of the year	**1,751**	1,457	**228**	203
Group's share of:				
– profit from continuing operations	**324**	287	**54**	47
– other comprehensive income	**(112)**	71	**(11)**	5
– total comprehensive income	**212**	358	**43**	52
Dividends	**(70)**	(64)	**(7)**	(27)
Carrying amount of interest in investee at end of the year	**1,893**	1,751	**264**	228
Dividends received during the year	**70**	64	**34** [(1)]	– [(1)]

(1) The dividends from AVIC Trust Co., Ltd declared in financial year 2015 and 2016 were received in financial year 2016.

In addition to the interests in associates disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

	2016 $ million	2015 $ million
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**238**	245
For the year ended:		
Aggregate amounts of the Group's share of:		
Profit or loss from continuing operations	**18**	18
Other comprehensive income	**(12)**	#
Total comprehensive income	**6**	18

(1) # represents amounts less than $0.5 million.

33. Associates (continued)

The Group's share of contingent liabilities in respect of all its associates is as follows:

	2016 $ million	2015 $ million
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**3,888**	4,445

34. Subsidiaries

	BANK	
	2016 $'000	2015 $'000
Investments in subsidiaries, at cost		
Quoted security (Note 34.3)	**1,953,107**	1,938,356
Unquoted securities	**13,426,177**	12,642,300
Allowance for impairment (Note 32)	**(16,425)**	(31,588)
Net carrying value	**15,362,859**	14,549,068
Unsecured loans and receivables	**8,364,400**	6,076,247
Secured loans and receivables	**606,000**	606,000
Amount due from subsidiaries	**8,970,400**	6,682,247
Investments in and amount due from subsidiaries	**24,333,259**	21,231,315

During the financial year, the Bank increased its investments in unquoted subsidiaries, mainly through the subscriptions of ordinary and preference shares issued by subsidiaries. The proceeds were in turn used for restructuring and funding purposes.

At 31 December 2016, 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 $8,435.3 million (2015: $8,333.7 million) and $1,792.1 million (2015: $1,206.4 million) respectively.

34. Subsidiaries (continued)

34.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) (3)		Proportion of ownership interests and voting rights held by non-controlling interests (%) (3)	
		2016	2015	2016	2015
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited (Note 34.4)	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited [formerly OCBC Bank (China) Limited] (Note 34.5)	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
Wing Hang Bank (China) Limited (Note 34.5)	People's Republic of China	**–**	100	**–**	–
Insurance					
Great Eastern Life Assurance (Malaysia) Berhad (2)	Malaysia	**88**	88	**12**	12
Overseas Assurance Corporation (Malaysia) Berhad (2)	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited (2)	Singapore	**88**	88	**12**	12
The Overseas Assurance Corporation Limited (2)	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited (2)	Singapore	**91**	91	**9**	9
Great Eastern Holdings Limited (2)	Singapore	**88**	88	**12**	12
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.
(1) Audited by PricewaterhouseCoopers.
(2) Audited by Ernst & Young.
(3) Rounded to the nearest percentage.

The Group's subsidiaries do not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from their respective local statutory, regulatory, supervisory and banking requirements within which its subsidiaries operate. These requirements require the Group's subsidiaries to maintain minimum levels of regulatory capital, liquid assets, and exposure limits. In addition, Great Eastern Holdings Limited and other insurance subsidiaries are subject to their respective local insurance laws and regulations, while the Group's banking subsidiaries are subject to prudential regulatory requirements imposed by local regulators.

34. Subsidiaries (continued)

34.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material non-controlling interests ("NCI").

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2016	2015	2016	2015
Net assets attributable to NCI	291	250	816	781
Total comprehensive income attributable to NCI	41	16	74	78
Dividends paid to NCI during the year	–	–	32	33
Summarised financial information				
Total assets	14,383	12,113	71,123	65,821
Total liabilities	(12,435)	(10,437)	(64,459)	(59,524)
Total net assets	1,948	1,676	6,664	6,297
Revenue	728	555	944	1,146
Profit	179	152	599	793
Other comprehensive income	93	(43)	9	(168)
Total comprehensive income	272	109	608	625
Cash flows from/(used in) operating activities	1,176	(132)	3,134	1,263
Cash flows (used in)/from investing activities	(1,583)	551	(2,434)	1,939
Cash flows (used in)/from financing activities	(460)	254	(260)	(301)
Effect of currency translation reserve adjustment	–	–	(404)	(2,664)
Net changes in cash and cash equivalents	(867)	673	36	237

34.3 Acquisition of Non-Controlling Interests

During the year, the Bank acquired 711,800 shares in Great Eastern Holdings Limited ("GEH"), a subsidiary listed on the Singapore Stock Exchange, at $21 per share for a total cash consideration of $14.7 million. Consequently, the Group's interest in GEH increased from 87.6% to 87.8%. The Group recognised a decrease in non-controlling interests of $9.3 million and a corresponding $5.4 million decrease in the revenue reserves.

34.4 Acquisition of Business

On 7 April 2016, the Bank, through its wholly-owned subsidiary, Bank of Singapore Limited ("BOS"), entered into an agreement to acquire the Wealth and Investment Management business of Barclays Bank PLC ("Barclays WIM") in Singapore and Hong Kong.

On 25 November 2016, the acquisition of Barclays WIM was completed and the assets and liabilities of Barclays WIM were novated to BOS. On the same day, BOS received cash of USD2,084 million (S$2,971 million) on Barclays WIM's estimate of net liabilities transferred and due to receive cash of USD18 million (S$26 million) for the assets acquired (comprising loans and advances to non-bank customers) of USD2,357 million (S$3,359 million) and liabilities assumed (comprising deposits of non-bank customers) of USD4,459 million (S$6,356 million).

The following table summarises the fair value of the consideration transferred:

$ million	2016
Goodwill (Note 37)	313.5
Cash consideration paid	(320.6)
Amount due from Barclays WIM (included in Note 31 Other assets)	(7.1)

The provisional goodwill represented approximately 1.75% of Barclay's assets under management amounting to USD12.6 billion (S$18.0 billion). The finalisation of the goodwill amount is expected to be completed by 31 March 2017.

34.5 Merger of Subsidiaries

On 18 July 2016, the Bank completed the merger of its two banking subsidiaries in China – OCBC Bank (China) Limited and Wing Hang Bank (China) Limited – to become OCBC Wing Hang Bank (China) Limited ("OCBC Wing Hang China").

OCBC Wing Hang China has a registered capital of RMB5 billion (S$1 billion) and is a wholly-owned subsidiary of OCBC Wing Hang Bank Limited in Hong Kong, which is itself, wholly owned by OCBC Bank.

34. Subsidiaries (continued)

34.6 Consolidated Structured Entities

On 23 November 2016, the Group announced 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.

No issuance has been made as at 31 December 2016.

35. Property, Plant and Equipment

	2016				2015			
GROUP ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	3,259,086	1,758,871	610,536	5,628,493	3,185,204	1,584,053	596,383	5,365,640
Currency translation	25,371	5,581	(1,657)	29,295	76,769	(37,489)	(14,678)	24,602
Additions	13,748	269,032	42,413	325,193	13,881	253,613	46,971	314,465
Disposals and other transfers	(4,674)	(92,890)	(19,448)	(117,012)	(1,816)	(41,306)	(18,140)	(61,262)
Transfer from/(to) investment property (Note 36)	12,717	–	–	12,717	(14,952)	–	–	(14,952)
At 31 December	3,306,248	1,940,594	631,844	5,878,686	3,259,086	1,758,871	610,536	5,628,493
Accumulated depreciation								
At 1 January	(499,035)	(1,172,944)	(426,243)	(2,098,222)	(432,909)	(1,066,626)	(392,158)	(1,891,693)
Currency translation	(1,370)	(4,884)	1,554	(4,700)	5,164	27,835	13,038	46,037
Disposals and other transfers	(67)	91,213	15,624	106,770	225	39,908	16,876	57,009
Depreciation charge	(66,058)	(165,601)	(52,544)	(284,203)	(64,214)	(145,822)	(57,108)	(267,144)
Depreciation charge to profit from life assurance (Note 4)	(12,264)	(34,033)	(6,818)	(53,115)	(12,537)	(28,239)	(6,891)	(47,667)
Transfer (from)/to investment property (Note 36)	(3,450)	–	–	(3,450)	5,236	–	–	5,236
At 31 December	(582,244)	(1,286,249)	(468,427)	(2,336,920)	(499,035)	(1,172,944)	(426,243)	(2,098,222)
Accumulated impairment losses (Note 32)								
At 1 January	(62,747)	(63)	(535)	(63,345)	(64,513)	(63)	(535)	(65,111)
Currency translation	236	–	–	236	1,640	–	–	1,640
Impairment charge to income statements	–	–	(1)	(1)	–	–	–	–
Transfer to investment property (Note 36)	–	–	–	–	126	–	–	126
At 31 December	(62,511)	(63)	(536)	(63,110)	(62,747)	(63)	(535)	(63,345)
Net carrying value, at 31 December	2,661,493	654,282	162,881	3,478,656	2,697,304	585,864	183,758	3,466,926
Freehold property	479,494				486,117			
Leasehold property	2,181,999				2,211,187			
Net carrying value	2,661,493				2,697,304			
Fair value hierarchy								
Level 2	276,795				281,675			
Level 3	4,421,314				4,351,842			
Market value	4,698,109				4,633,517			

35. Property, Plant and Equipment (continued)

BANK ($'000)	2016 Property-related	2016 Computer-related	2016 Others	2016 Total	2015 Property-related	2015 Computer-related	2015 Others	2015 Total
Cost								
At 1 January	262,963	902,407	172,137	1,337,507	273,500	793,020	162,010	1,228,530
Currency translation	11	23	(211)	(177)	(9)	97	230	318
Additions	94,871	131,823	10,085	236,779	233	122,028	13,497	135,758
Disposals and other transfers	–	(35,708)	(7,243)	(42,951)	–	(12,738)	(3,600)	(16,338)
Net transfer to investment property (Note 36)	(843)	–	–	(843)	(10,761)	–	–	(10,761)
At 31 December	357,002	998,545	174,768	1,530,315	262,963	902,407	172,137	1,337,507
Accumulated depreciation								
At 1 January	(80,836)	(596,578)	(123,147)	(800,561)	(79,101)	(517,408)	(110,668)	(707,177)
Currency translation	(8)	(19)	207	180	7	(65)	(243)	(301)
Disposals and other transfers	–	35,518	5,902	41,420	–	12,583	2,631	15,214
Depreciation charge	(7,249)	(100,534)	(14,302)	(122,085)	(5,187)	(91,688)	(14,867)	(111,742)
Net transfer to investment property (Note 36)	400	–	–	400	3,445	–	–	3,445
At 31 December	(87,693)	(661,613)	(131,340)	(880,646)	(80,836)	(596,578)	(123,147)	(800,561)
Accumulated impairment losses (Note 32)								
At 1 January	(820)	–	–	(820)	(946)	–	–	(946)
Net transfer to investment property (Note 36)	–	–	–	–	126	–	–	126
At 31 December	(820)	–	–	(820)	(820)	–	–	(820)
Net carrying value, at 31 December	268,489	336,932	43,428	648,849	181,307	305,829	48,990	536,126
Freehold property	56,265				46,509			
Leasehold property	212,224				134,798			
Net carrying value	268,489				181,307			
Fair value hierarchy								
Level 2	227,368				208,794			
Level 3	431,325				340,480			
Market value	658,693				549,274			

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cost				
At 1 January	**1,356,228**	1,345,725	**676,183**	682,656
Currency translation	**(1,558)**	(478)	**374**	1,217
Additions	**96,853**	26,980	**3**	2,713
Disposals and other transfers	**(92,947)**	(21,387)	**(32,427)**	(17,583)
Net transfer (to)/from:				
Property, plant and equipment (Note 35)	**(12,717)**	14,952	**843**	10,761
Assets held for sale	**(43,321)**	(9,564)	**(1,878)**	(3,581)
At 31 December	**1,302,538**	1,356,228	**643,098**	676,183
Accumulated depreciation				
At 1 January	**(215,842)**	(195,809)	**(112,725)**	(106,126)
Currency translation	**451**	1,077	**(155)**	(458)
Disposals and other transfers	**13,448**	6,861	**12,939**	5,789
Depreciation charge	**(23,916)**	(26,206)	**(9,287)**	(9,646)
Net transfer to/(from):				
Property, plant and equipment (Note 35)	**3,450**	(5,236)	**(400)**	(3,445)
Assets held for sale	**15,296**	3,471	**728**	1,161
At 31 December	**(207,113)**	(215,842)	**(108,900)**	(112,725)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,525)**	(2,832)	**(2,525)**	(2,525)
Currency translation	**4**	55	**–**	–
Write-back/(impairment charge) to income statements	**14**	(110)	**128**	126
Net transfer from property, plant and equipment (Note 35)	**–**	(126)	**–**	(126)
Transfer to assets held for sale	**–**	488	**–**	–
At 31 December	**(2,507)**	(2,525)	**(2,397)**	(2,525)
Net carrying value				
Freehold property	**634,753**	740,031	**193,828**	206,461
Leasehold property	**458,165**	397,830	**337,973**	354,472
At 31 December	**1,092,918**	1,137,861	**531,801**	560,933
Fair value hierarchy				
Level 2	**1,090,756**	1,025,498	**264,198**	330,164
Level 3	**2,138,084**	2,377,469	**1,214,956**	1,209,743
Market value	**3,228,840**	3,402,967	**1,479,154**	1,539,907

A description of the valuation methods is provided in Note 35.

37. Goodwill and Intangible Assets

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Goodwill				
At 1 January	**4,341,421**	4,236,706	**1,867,176**	1,867,176
Acquisition of business (Note 34.4)	**313,467**	–	**–**	–
Amounts written off	**(858)**	(3,145)	**–**	–
Currency translation	**53,418**	107,860	**–**	–
At 31 December	**4,707,448**	4,341,421	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**853,810**	919,884		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(42,197)**	(42,099)		
– Customer relationships [2]	**(7,431)**	(8,878)		
– Life assurance business [3]	**(46,636)**	(46,636)		
Currency translation	**7,852**	31,539		
At 31 December	**765,398**	853,810		
Total goodwill and intangible assets	**5,472,846**	5,195,231	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,707,448**	4,341,421	**1,867,176**	1,867,176
Intangible assets, at cost	**1,529,144**	1,515,868	**–**	–
Accumulated amortisation for intangible assets	**(763,746)**	(662,058)	**–**	–
	5,472,846	5,195,231	**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 2016, these have a remaining useful life of 7.5 years (2015: 8.5 years).

(2) Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2016, these have a remaining useful life of 4 years (2015: 5 years).

(3) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2016, the intangible asset has a remaining useful life of 8 years (2015: 9 years).

37. Goodwill and Intangible Assets (continued)

Impairment tests for goodwill

For impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying value 2016 $'000	Carrying value 2015 $'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	**946,741**	614,432
Lion Global Investors Limited	Value-in-use	**29,437**	29,437
OCBC Wing Hang Bank Limited	Value-in-use	**1,155,603**	1,130,036
PT Bank OCBC NISP Tbk	Value-in-use	**200,373**	191,205
Others	Value-in-use	**9,337**	10,354
		4,707,448	4,341,421

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate	**10.8%**	11.3%	**10.8%**	11.3%	**10.8%**	11.3%	**12.3%**	12.4%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**4.0%**	4.0%	**5.0%**	5.0%

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 7.25% (2015: 7.25%) and 9.0% (2015: 9.0%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 6.0% (2015: 5.25%, 4.0% and 6.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 5.6%, 4.8% and 7.0% (2015: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

38. Segment Information

38.1 Business Segments

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang [1]	Insurance	Others	Group
Year ended 31 December 2016							
Total income	2,838	3,067	701	919	944	20	8,489
Operating profit before allowances and amortisation	1,176	2,062	440	415	726	(118)	4,701
Amortisation of intangible assets	(7)	–	–	(42)	(47)	–	(96)
(Allowances and impairment)/write-back for loans and other assets	(103)	(457)	1	(11)	(17)	(139)	(726)
Operating profit after allowances and amortisation	1,066	1,605	441	362	662	(257)	3,879
Other information:							
Capital expenditure	44	2	#	17	54	305	422
Depreciation	42	11	2	64	3	186	308
At 31 December 2016							
Segment assets	103,052	115,009	72,186	50,075	71,912	19,903	432,137
Unallocated assets							1,005
Elimination							(23,258)
Total assets							409,884
Segment liabilities	115,813	105,970	47,030	42,212	62,951	17,284	391,260
Unallocated liabilities							2,240
Elimination							(23,258)
Total liabilities							370,242
Other information:							
Gross non-bank loans	82,379	109,649	1,384	30,389	52	(3,701)	220,152
NPAs (include debt securities)	520	2,163	–	268	10	(75)	2,886

(1) Includes the operating profit of OCBC Bank (China) from mid-July 2016, following the merger of OCBC Bank (China) and Wing Hang Bank (China). The operating profit of OCBC Bank (China) continues to be reported in the various business segments.

(2) # 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 2015							
Total income	2,682	3,133	882	866	1,146	13	8,722
Operating profit before allowances and amortisation	1,121	2,138	619	427	928	(175)	5,058
Amortisation of intangible assets	(9)	–	–	(42)	(47)	–	(98)
Allowances and impairment for loans and other assets	(108)	(235)	(1)	(25)	(28)	(91)	(488)
Operating profit after allowances and amortisation	1,004	1,903	618	360	853	(266)	4,472
Other information:							
Capital expenditure	45	6	#	22	48	220	341
Depreciation	38	10	2	58	3	182	293
At 31 December 2015							
Segment assets	84,286	115,267	69,800	42,663	66,652	27,295	405,963
Unallocated assets							775
Elimination							(16,548)
Total assets							390,190
Segment liabilities	96,716	107,076	42,606	36,148	57,992	26,761	367,299
Unallocated liabilities							2,328
Elimination							(16,548)
Total liabilities							353,079
Other information:							
Gross non-bank loans	71,846	107,868	2,146	28,145	53	607	210,665
NPAs (include debt securities)	366	1,504	–	157	6	6	2,039

(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 comprises 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. In mid-July 2016, its subsidiary in China, Wing Hang Bank (China), was officially merged with OCBC Bank (China) to become OCBC Wing Hang Bank (China), a wholly owned subsidiary of OCBC Wing Hang.

Insurance

The Group's insurance business, including its fund management activities, is carried out by the Bank's subsidiary Great Eastern Holdings Limited, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

Others comprise property holding, investment holding and items not attributable to the business segments described above. It also includes the offset of OCBC Bank (China) from mid-July 2016 which is reported in both the various business segments and OCBC Wing Hang following the merger of China entities.

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
2016					
Singapore	**4,908**	**2,154**	**307**	**229,752**	**227,113**
Malaysia	**1,314**	**802**	**59**	**60,412**	**49,261**
Indonesia	**731**	**226**	**28**	**14,946**	**12,727**
Greater China	**1,250**	**934**	**24**	**75,563**	**54,720**
Other Asia Pacific	**141**	**84**	**1**	**12,007**	**7,056**
Rest of the World	**145**	**75**	**3**	**17,204**	**19,365**
	8,489	**4,275**	**422**	**409,884**	**370,242**
2015					
Singapore	5,106	2,665	218	214,358	207,597
Malaysia	1,395	807	60	59,952	50,061
Indonesia	564	200	27	12,604	10,382
Greater China	1,362	968	31	71,512	54,853
Other Asia Pacific	148	84	4	10,665	6,960
Rest of the World	147	101	1	21,099	23,226
	8,722	4,825	341	390,190	353,079

The Group's operations are in six main geographical areas. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

39. Risk Management

39.1 Overview

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

The Group's risk management objectives, policies and processes are detailed in the Risk Management Section.

39.2 Credit Risk

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Gross		Average	
$ million	**2016**	**2015**	**2016**	**2015**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**216,830**	208,218	**206,241**	207,975
Placements with and loans to banks	**39,801**	35,791	**39,524**	43,708
Government treasury bills and securities	**24,364**	21,001	**24,482**	21,442
Debt securities	**20,067**	20,040	**20,030**	21,171
Amount due from associates	**21**	25	**21**	131
Assets pledged	**1,789**	1,452	**1,805**	1,611
Derivative receivables	**7,838**	6,248	**6,267**	6,410
Other assets, comprise interest receivables and sundry debtors	**3,179**	2,823	**3,134**	3,370
	313,889	295,598	**301,504**	305,818
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**11,145**	9,610	**9,404**	10,516
Credit commitments	**119,152**	113,114	**111,042**	107,553
	130,297	122,724	**120,446**	118,069
Total maximum credit risk exposure	**444,186**	418,322	**421,950**	423,887

Collateral

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For 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.

74% of the loans and bills receivables as at 31 December 2016 (2015: 75%) are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

39. Risk Management (continued)

39.2 Credit Risk (continued)

Total loans and advances – Credit quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are required, under FRS 107, to be categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	**2016**	**2015**	**2016**	**2015**
Neither past due nor impaired [1]	**39,658**	35,299	**215,778**	207,450
Not impaired [1]	**–**	–	**2,737**	2,086
Impaired	**–**	–	**1,505**	887
Past due loans	**–**	–	**4,242**	2,973
Impaired but not past due	**–**	–	**132**	242
Gross loans	**39,658**	35,299	**220,152**	210,665
Specific allowances	**–**	–	**(616)**	(360)
Portfolio allowances	**–**	–	**(2,241)**	(2,060)
Net loans	**39,658**	35,299	**217,295**	208,245

(1) Comparatives have been restated to conform to current year's presentation.

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	**2016**	**2015**	**2016**	**2015**
Grades				
Satisfactory and special mention [1]	**39,658**	35,299	**215,484**	207,121
Substandard but not impaired	**–**	–	**294**	329
Neither past due nor impaired	**39,658**	35,299	**215,778**	207,450

(1) Comparatives have been restated to conform to current year's presentation.

Past due loans

Analysis of past due loans by industry and geography are as follows:

	Bank loans		Non-bank loans	
$ million	**2016**	**2015**	**2016**	**2015**
By industry [1]				
Agriculture, mining and quarrying	**–**	–	**130**	64
Manufacturing	**–**	–	**352**	416
Building and construction	**–**	–	**138**	120
General commerce	**–**	–	**389**	261
Transport, storage and communication	**–**	–	**570**	288
Financial institutions, investment and holding companies	**–**	–	**452**	218
Professionals and individuals (include housing)	**–**	–	**1,802**	1,528
Others	**–**	–	**409**	78
	–	–	**4,242**	2,973
By geography				
Singapore [1]	**–**	–	**1,638**	1,355
Malaysia	**–**	–	**649**	629
Indonesia	**–**	–	**890**	534
Greater China	**–**	–	**769**	380
Rest of the World	**–**	–	**296**	75
	–	–	**4,242**	2,973

(1) Comparatives have been restated to conform to current year's presentation.

39. Risk Management (continued)

39.2 Credit Risk (continued)

Loans past due but not impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2016	2015
Past due		
Less than 30 days	1,122	515
30 to 90 days	944	1,169
Over 90 days	671	402
Past due but not impaired	2,737	2,086

Impaired loans and allowances

Non-bank loans that are individually determined to be impaired as at the reporting date are as follows:

$ million	2016	2015
Business segment		
Global Consumer Financial Services	318	212
Global Corporate Banking	1,198	737
OCBC Wing Hang	96	157
Others	7	8
Individually impaired loans	1,619	1,114

Details on non-performing loans are set out in Note 27. The movements of specific and portfolio allowances account for loans are set out in Notes 28 and 29 respectively.

Collateral and other credit enhancements obtained

Assets amounting to $28 million (2015: $20 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 2016					
Hong Kong SAR	**15,141**	**104**	**12,765**	**28,010**	**8.1**
Malaysia	**6,640**	**70**	**8,824**	**15,534**	**4.5**
People's Republic of China	**5,816**	**51**	**7,882**	**13,749**	**4.0**
Indonesia	**3,408**	**545**	**9,154**	**13,107**	**3.8**
British Virgin Islands	**–**	**–**	**8,615**	**8,615**	**2.5**
Japan	**2,716**	**2,331**	**1,380**	**6,427**	**1.8**
United States	**1,818**	**2,331**	**1,936**	**6,085**	**1.7**
United Kingdom	**3,104**	**16**	**2,759**	**5,879**	**1.7**
Australia	**3,627**	**#**	**1,694**	**5,321**	**1.5**
Luxembourg	**3,438**	**–**	**176**	**3,614**	**1.0**
31 December 2015					
Hong Kong SAR	15,037	139	13,710	28,886	8.7
People's Republic of China	10,005	142	8,262	18,409	5.5
Malaysia	4,040	186	8,220	12,446	3.7
Indonesia	2,971	366	8,915	12,252	3.7
British Virgin Islands	–	–	6,116	6,116	1.8
United Kingdom	3,169	21	2,243	5,433	1.6
United States	2,146	1,254	1,634	5,034	1.5
Australia	2,731	22	1,498	4,251	1.3
Japan	1,739	1,373	868	3,980	1.2

(1) Assets (excluding life assurance fund investment assets) of $347,911 million (2015: $333,207 million).
(2) # represents amounts less than $0.5 million.

39.3 Market Risk and Asset Liability Management

Disclosures on the Group's market risk management, and the Value-at-Risk ("VaR") summary of its trading portfolio, are in the Risk Management Section.

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

- Interest rate risk management;
- Structural foreign exchange risk management; and
- Liquidity management.

The objectives, policies and processes of asset liability management are in the Risk Management Section.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Interest rate risk

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates, except for trading portfolio liabilities which is in accordance to 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
2016								
Cash and placements with central banks	5,888	2,935	260	1,144	418	866	5,048	16,559
Placements with and loans to banks	5,168	6,723	11,418	14,537	145	–	1,667	39,658
Loans and bills receivable [(1)]	53,858	59,900	70,879	23,500	6,279	2,792	87	217,295
Securities [(2)]	546	2,942	8,587	11,787	12,346	9,007	3,103	48,318
Derivative receivables	–	–	–	–	–	–	7,838	7,838
Other assets	634	7	#	14	#	37	4,197	4,889
Amount due from associates	21	–	–	–	–	–	–	21
Financial assets	66,115	72,507	91,144	50,982	19,188	12,702	21,940	334,578
Deposits of non-bank customers	65,552	37,400	85,170	32,670	4,988	1,776	33,930	261,486
Deposits and balances of banks	3,685	2,697	1,628	394	–	–	2,336	10,740
Trading portfolio liabilities	–	–	532	–	–	–	66	598
Derivative payables	–	–	–	–	–	–	7,474	7,474
Other liabilities [(3)]	12	16	79	93	–	–	5,596	5,796
Debt issued	1,083	1,696	4,456	6,382	3,615	2,701	14	19,947
Financial liabilities	70,332	41,809	91,865	39,539	8,603	4,477	49,416	306,041
On-balance sheet sensitivity gap	(4,217)	30,698	(721)	11,443	10,585	8,225		
Off-balance sheet sensitivity gap	388	1,888	2,346	(3,349)	(102)	(1,171)		
Net interest sensitivity gap	(3,829)	32,586	1,625	8,094	10,483	7,054		
2015								
Cash and placements with central banks	12,694	460	568	679	1,096	804	4,879	21,180
Placements with and loans to banks	5,078	7,412	10,596	10,866	6	277	1,064	35,299
Loans and bills receivable [(1)]	43,139	47,102	82,656	26,565	7,275	2,182	(674)	208,245
Securities [(2)]	748	2,476	9,316	6,122	12,747	9,803	3,764	44,976
Derivative receivables	–	–	–	–	–	–	6,248	6,248
Other assets	458	3	#	123	100	11	3,646	4,341
Amount due from associates	2	–	–	22	–	–	1	25
Financial assets	62,119	57,453	103,136	44,377	21,224	13,077	18,928	320,314
Deposits of non-bank customers	41,248	51,195	79,587	31,735	3,818	1,008	37,686	246,277
Deposits and balances of banks	3,076	2,732	2,734	1,134	–	–	2,371	12,047
Trading portfolio liabilities	–	–	614	–	–	–	31	645
Derivative payables	–	–	–	–	–	–	6,069	6,069
Other liabilities [(3)]	49	27	140	98	–	–	4,927	5,241
Debt issued	565	916	6,177	6,411	5,088	4,314	8	23,479
Financial liabilities	44,938	54,870	89,252	39,378	8,906	5,322	51,092	293,758
On-balance sheet sensitivity gap	17,181	2,583	13,884	4,999	12,318	7,755		
Off-balance sheet sensitivity gap	(286)	2,228	4,229	(4,274)	(1,073)	(824)		
Net interest sensitivity gap	16,895	4,811	18,113	725	11,245	6,931		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other liabilities include amount due to associates.
(4) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Interest rate risk (continued)

The significant market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes. One way of expressing this sensitivity for all interest rate sensitive positions, whether marked to market or subject to amortised cost accounting, is the impact on their fair values of basis point change in interest rates.

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $580 million (2015: $561 million), or approximately +11.5% (2015: +10.8%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $522 million (2015: $463 million) in net interest income, or approximately -10.3% (2015: -8.9%) of reported net interest income.

The 1% rate shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen and Sterling Pound.

$ million	SGD	USD	MYR	HKD	Others	Total
2016						
Cash and placements with central banks	**6,813**	**2,027**	**2,507**	**173**	**5,039**	**16,559**
Placements with and loans to banks	**597**	**27,740**	**698**	**2,301**	**8,322**	**39,658**
Loans and bills receivable	**80,002**	**56,245**	**20,140**	**30,103**	**30,805**	**217,295**
Securities [1]	**12,269**	**14,663**	**3,697**	**1,499**	**16,190**	**48,318**
Derivative receivables	**2,228**	**4,024**	**150**	**421**	**1,015**	**7,838**
Other assets	**2,006**	**1,170**	**708**	**305**	**700**	**4,889**
Amount due from associates	**–**	**–**	**–**	**–**	**21**	**21**
Financial assets	**103,915**	**105,869**	**27,900**	**34,802**	**62,092**	**334,578**
Deposits of non-bank customers	**94,413**	**80,402**	**21,701**	**27,336**	**37,634**	**261,486**
Deposits and balances of banks	**716**	**5,457**	**534**	**922**	**3,111**	**10,740**
Trading portfolio liabilities	**445**	**104**	**–**	**42**	**7**	**598**
Derivative payables	**2,349**	**3,793**	**97**	**436**	**799**	**7,474**
Other liabilities [2]	**2,423**	**1,394**	**643**	**457**	**879**	**5,796**
Debt issued	**475**	**14,779**	**418**	**524**	**3,751**	**19,947**
Financial liabilities	**100,821**	**105,929**	**23,393**	**29,717**	**46,181**	**306,041**
Net financial assets/(liabilities) exposure [3]	**3,094**	**(60)**	**4,507**	**5,085**	**15,911**	
2015						
Cash and placements with central banks	4,673	7,106	2,328	178	6,895	21,180
Placements with and loans to banks	1,162	22,616	605	2,366	8,550	35,299
Loans and bills receivable	79,355	49,229	20,848	29,224	29,589	208,245
Securities [1]	13,688	11,508	4,065	1,867	13,848	44,976
Derivative receivables	1,630	3,131	123	522	842	6,248
Other assets	1,845	1,047	621	256	572	4,341
Amount due from associates	–	–	–	2	23	25
Financial assets	102,353	94,637	28,590	34,415	60,319	320,314
Deposits of non-bank customers	88,905	72,583	22,616	23,692	38,481	246,277
Deposits and balances of banks	552	5,951	484	1,469	3,591	12,047
Trading portfolio liabilities	614	7	–	24	–	645
Derivative payables	1,989	2,698	171	476	735	6,069
Other liabilities [2]	2,012	1,126	651	504	948	5,241
Debt issued	473	15,501	494	500	6,511	23,479
Financial liabilities	94,545	97,866	24,416	26,665	50,266	293,758
Net financial assets/(liabilities) exposure [3]	7,808	(3,229)	4,174	7,750	10,053	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other liabilities include amount due to associates.
(3) Net exposure without taking into account effect of offsetting derivative exposure.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Structural foreign exchange risk

Structural foreign exchange risks arise primarily from the Group's net investments in overseas branches, subsidiaries and associates, strategic equity investments as well as property assets. The Group uses foreign currency forwards, swaps and borrowings to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

$ million	2016 Structural currency exposure	2016 Hedging financial instruments	2016 Net structural currency exposure	2015 Structural currency exposure	2015 Hedging financial instruments	2015 Net structural currency exposure
Hong Kong Dollar	6,530	3,670	2,860	6,196	3,942	2,254
US Dollar	4,179	2,162	2,017	3,035	2,113	922
Chinese Renminbi	2,700	–	2,700	3,023	–	3,023
Others	5,889	1,497	4,392	5,008	1,554	3,454
Total	19,298	7,329	11,969	17,262	7,609	9,653

Liquidity risk

The table below analyses the carrying value of assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2016								
Cash and placements with central banks	6,075	2,890	343	1,450	418	–	5,383	16,559
Placements with and loans to banks	6,756	5,646	10,716	15,388	752	400	–	39,658
Loans and bills receivable	15,717	25,724	16,172	24,713	38,003	96,966	–	217,295
Securities [(1)]	433	1,747	5,149	11,819	14,336	11,745	3,089	48,318
Derivative receivables	7,661	60	40	5	13	59	–	7,838
Other assets [(2)]	1,299	810	439	1,327	535	80	596	5,086
Associates	21	–	–	–	–	–	2,394	2,415
Property, plant and equipment and investment property [(3)]	–	–	26	2	–	–	3,981	4,009
Goodwill and intangible assets	–	–	–	–	–	–	5,473	5,473
Total	37,962	36,877	32,885	54,704	54,057	109,250	20,916	346,651
Total life assurance fund assets								63,233
Total assets								409,884
Deposits of non-bank customers	147,136	34,827	42,060	33,565	2,045	1,853	–	261,486
Deposits and balances of banks	6,413	2,309	1,983	35	–	–	–	10,740
Trading portfolio liabilities	–	–	532	–	–	–	66	598
Derivative payables	7,244	24	15	169	8	14	–	7,474
Other liabilities [(4)]	2,399	996	792	1,693	24	77	783	6,764
Debt issued	1,083	1,697	3,305	6,395	4,452	3,015	–	19,947
Total	164,275	39,853	48,687	41,857	6,529	4,959	849	307,009
Total life assurance fund liabilities								63,233
Total liabilities								370,242
Net liquidity gap	(126,313)	(2,976)	(15,802)	12,847	47,528	104,291		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amount due to associates, current tax and deferred tax liabilities.

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
2015								
Cash and placements with central banks	13,097	463	566	679	1,096	–	5,279	21,180
Placements with and loans to banks	6,623	6,657	10,407	11,154	355	103	–	35,299
Loans and bills receivable	13,645	22,044	16,961	25,157	36,345	94,093	–	208,245
Securities [(1)]	581	1,391	6,302	6,190	14,917	12,849	2,746	44,976
Derivative receivables	6,129	10	3	–	16	90	–	6,248
Other assets [(2)]	1,123	726	261	1,107	591	51	618	4,477
Associates	–	#	–	22	2	–	2,224	2,248
Property, plant and equipment and investment property [(3)]	–	#	5	1	–	–	4,007	4,013
Goodwill and intangible assets	–	–	–	–	–	–	5,195	5,195
Total	41,198	31,291	34,505	44,310	53,322	107,186	20,069	331,881
Total life assurance fund assets								58,309
Total assets								390,190
Deposits of non-bank customers	135,137	38,909	35,310	31,935	2,530	2,456	–	246,277
Deposits and balances of banks	7,103	2,084	2,672	188	–	–	–	12,047
Trading portfolio liabilities	–	–	–	614	–	–	31	645
Derivative payables	5,922	18	7	1	81	40	–	6,069
Other liabilities [(4)]	1,782	840	876	1,666	185	115	789	6,253
Debt issued	572	936	4,422	6,825	6,100	4,624	–	23,479
Total	150,516	42,787	43,287	41,229	8,896	7,235	820	294,770
Total life assurance fund liabilities								58,309
Total liabilities								353,079
Net liquidity gap	(109,318)	(11,496)	(8,782)	3,081	44,426	99,951		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amount 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 to 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
2016							
Deposits of non-bank customers (1)	147,212	34,899	42,306	34,115	2,091	1,946	262,569
Deposits and balances of banks (1)	6,415	2,314	1,989	35	–	–	10,753
Trading portfolio liabilities	–	–	598	–	–	–	598
Other liabilities (2)	2,175	644	637	746	13	182	4,397
Debt issued	1,084	1,708	3,360	6,647	4,833	3,477	21,109
Net settled derivatives							
Trading	705	130	209	509	657	1,115	3,325
Hedging	(#)	1	5	10	13	1	30
Gross settled derivatives							
Trading – Outflow	21,103	47,087	47,997	51,898	13,405	10,977	192,467
Trading – Inflow	(21,414)	(48,981)	(49,123)	(52,636)	(13,430)	(11,749)	(197,333)
Hedging – Outflow	373	2,072	1,682	615	–	–	4,742
Hedging – Inflow	(374)	(2,064)	(1,681)	(445)	–	–	(4,564)
	157,279	37,810	47,979	41,494	7,582	5,949	298,093
2015							
Deposits of non-bank customers (1)	135,167	39,123	35,405	32,531	2,692	2,543	247,461
Deposits and balances of banks (1)	7,105	2,087	2,679	188	–	–	12,059
Trading portfolio liabilities	–	–	645	–	–	–	645
Other liabilities (2)	1,680	573	647	714	141	124	3,879
Debt issued	572	949	4,468	7,129	6,574	5,278	24,970
Net settled derivatives							
Trading	695	74	214	532	712	1,016	3,243
Hedging	(#)	8	6	19	24	6	63
Gross settled derivatives							
Trading – Outflow	27,028	40,392	46,126	46,472	11,767	10,510	182,295
Trading – Inflow	(27,041)	(40,334)	(46,012)	(46,473)	(11,924)	(10,594)	(182,378)
Hedging – Outflow	66	1,442	566	8	787	–	2,869
Hedging – Inflow	(66)	(1,440)	(563)	(7)	(711)	–	(2,787)
	145,206	42,874	44,181	41,113	10,062	8,883	292,319

(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 amount due to associates.
(3) # represents amounts less than $0.5 million.

39.4 Other Risk Areas

Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management

This note sets out the risk management information of GEH Group.

Governance framework

Managing risk is an integral part of GEH Group's core business, and it shall always operate within the risk appetite set by the GEH Board, and ensure reward commensurate for any risk taken.

GEH Group's Risk Management department spearheads the development and implementation of the Enterprise Risk Management Framework for GEH Group.

GEH Board is responsible to provide oversight on the risk management initiatives. The GEH Board may delegate this responsibility to the Risk Management Committee ("RMC"). At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives, namely: Group Management Team ("GMT"), Group Asset-Liability Committee ("Group ALC") and Group Information Technology Steering Committee ("Group ITSC").

GMT is responsible for providing leadership, direction and oversight with regards to all matters of GEH Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board") of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group has had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore ("MAS") and Bank Negara, Malaysia ("BNM") respectively.

GEH Group's approach to capital management requires sufficient capital to be held to cover statutory 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 source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2016 amounted to $10.3 billion (2015: $9.9 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2016 amounted to $7.2 billion (2015: $7.5 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Financial risk management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance risk

The principal activities of GEH Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness and personal accident), property and casualty.

GEH Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance risk of life insurance contracts

Insurance risks arise when GEH Group underwrites insurance contracts. A mis-estimation of the 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. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by GEH Group, type of risk insured or by industry.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentrations in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- or equivalent are considered when deciding on which reinsurers to reinsure GEH Group's risk. Risk to any one reinsurer is limited by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of GEH Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

39. Risk Management (continued)
39.5 Insurance-Related Risk Management (continued)
Insurance risk (continued)

Table 39.5(A): Concentration of life insurance risk, net of reinsurance

Insurance liabilities ($ million)	Life Assurance 2016	Life Assurance 2015
(a) By class of business		
Whole life	**30,912**	27,631
Endowment	**18,285**	16,466
Term	**424**	408
Accident and health	**1,588**	1,392
Annuity	**547**	543
Others	**1,156**	1,074
Total	**52,912**	47,514
(b) By country		
Singapore	**34,653**	30,682
Malaysia	**17,783**	16,385
Others	**476**	447
Total	**52,912**	47,514

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis produced below are based on parameters set out as follows:

(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	– 25% for all future years
(e)	Scenario 5 – Lapse and Surrender Rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender Rates	– 25% for all future years
(g)	Scenario 7 – Expenses	+ 30% for all future years

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2016							
Gross impact	**(22.8)**	**(51.4)**	**60.9**	**(88.0)**	**58.1**	**(72.1)**	**(21.8)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(22.8)**	**(51.4)**	**60.9**	**(88.0)**	**58.1**	**(72.1)**	**(21.8)**
2015							
Gross impact	(49.8)	(24.9)	68.5	(122.3)	51.0	(63.7)	(28.1)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(49.8)	(24.9)	68.5	(122.3)	51.0	(63.7)	(28.1)

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Insurance risk (continued)

Table 39.5(B2): Profit/(loss) after tax and shareholders' equity sensitivity for the Malaysia segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2016							
Gross impact	**(70.4)**	**59.1**	**(11.9)**	**10.5**	**(6.5)**	**7.7**	**(11.7)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(70.4)**	**59.1**	**(11.9)**	**10.5**	**(6.5)**	**7.7**	**(11.7)**
2015							
Gross impact	(58.6)	50.9	(13.7)	10.4	(5.4)	6.5	(11.1)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(58.6)	50.9	(13.7)	10.4	(5.4)	6.5	(11.1)

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 and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Insurance risk of non-life insurance contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Insurance risk (continued)

Table 39.5(C1): Concentration of non-life insurance risk

Non-life insurance contracts $ million	2016 Gross premium liabilities	2016 Reinsured premium liabilities	2016 Net premium liabilities	2015 Gross premium liabilities	2015 Reinsured premium liabilities	2015 Net premium liabilities
(a) By class of business						
Fire	**29**	**(18)**	**11**	26	(16)	10
Motor	**26**	**(1)**	**25**	30	(2)	28
Marine and aviation	**8**	**(7)**	**1**	9	(7)	2
Workmen's compensation	**13**	**(4)**	**9**	12	(4)	8
Personal accident and health	**20**	**(2)**	**18**	19	(2)	17
Miscellaneous	**29**	**(18)**	**11**	30	(19)	11
Total	**125**	**(50)**	**75**	126	(50)	76
(b) By country						
Singapore	**64**	**(31)**	**33**	60	(26)	34
Malaysia	**61**	**(19)**	**42**	66	(24)	42
Total	**125**	**(50)**	**75**	126	(50)	76

Non-life insurance contracts $ million	2016 Gross claims liabilities	2016 Reinsured claims liabilities	2016 Net claims liabilities	2015 Gross claims liabilities	2015 Reinsured claims liabilities	2015 Net claims liabilities
(a) By class of business						
Fire	**40**	**(31)**	**9**	37	(30)	7
Motor	**65**	**(5)**	**60**	72	(5)	67
Marine and aviation	**12**	**(9)**	**3**	7	(5)	2
Workmen's compensation	**26**	**(10)**	**16**	25	(9)	16
Personal accident and health	**15**	**(2)**	**13**	16	(2)	14
Miscellaneous	**63**	**(48)**	**15**	70	(55)	15
Total	**221**	**(105)**	**116**	227	(106)	121
(b) By country						
Singapore	**93**	**(44)**	**49**	94	(45)	49
Malaysia	**128**	**(61)**	**67**	133	(61)	72
Total	**221**	**(105)**	**116**	227	(106)	121

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Insurance risk (continued)

Table 39.5(C2): Cumulative claims estimates and cumulative payments to-date

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2016

$ million	2009	2010	2011	2012	2013	2014	2015	2016	Total
(a) Estimate of cumulative claims									
Accident Year	65	68	111	92	136	125	164	173	
One year later	70	84	111	98	129	117	160	–	
Two years later	91	83	95	96	116	114	–	–	
Three years later	90	78	91	93	114	–	–	–	
Four years later	86	75	85	88	–	–	–	–	
Five years later	83	73	84	–	–	–	–	–	
Six years later	82	71	–	–	–	–	–	–	
Seven years later	81	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**81**	**71**	**84**	**88**	**114**	**114**	**160**	**173**	
(b) Cumulative payments									
Accident Year	28	27	35	37	38	38	51	78	
One year later	50	58	63	63	78	86	104	–	
Two years later	73	66	74	74	90	95	–	–	
Three years later	77	68	77	80	94	–	–	–	
Four years later	79	70	79	82	–	–	–	–	
Five years later	79	70	80	–	–	–	–	–	
Six years later	80	70	–	–	–	–	–	–	
Seven years later	80	–	–	–	–	–	–	–	
Cumulative payments	**80**	**70**	**80**	**82**	**94**	**95**	**104**	**78**	
(c) Non-life gross claim liabilities	**1**	**1**	**4**	**6**	**20**	**19**	**56**	**95**	**202**
Reserve for prior years									**20**
Unallocated surplus									**(1)**
General Insurance Fund Contract Liabilities, gross									**221**

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Insurance risk (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities for 2016

$ million	2009	2010	2011	2012	2013	2014	2015	2016	Total
(a) Estimate of cumulative claims									
Accident Year	37	46	71	63	92	80	82	86	
One year later	41	59	76	69	73	76	78	–	
Two years later	58	59	60	66	71	74	–	–	
Three years later	57	56	58	64	70	–	–	–	
Four years later	54	53	54	62	–	–	–	–	
Five years later	52	52	53	–	–	–	–	–	
Six years later	51	51	–	–	–	–	–	–	
Seven years later	51	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**51**	**51**	**53**	**62**	**70**	**74**	**78**	**86**	
(b) Cumulative payments									
Accident Year	19	21	25	31	30	31	30	37	
One year later	31	43	43	49	54	58	55	–	
Two years later	46	48	48	55	61	64	–	–	
Three years later	49	50	50	58	62	–	–	–	
Four years later	50	50	51	59	–	–	–	–	
Five years later	50	51	51	–	–	–	–	–	
Six years later	50	50	–	–	–	–	–	–	
Seven years later	50	–	–	–	–	–	–	–	
Cumulative payments	**50**	**50**	**51**	**59**	**62**	**64**	**55**	**37**	
(c) Non-life net claim liabilities	**1**	**1**	**2**	**3**	**8**	**10**	**23**	**49**	**97**
Reserve for prior years									**20**
Unallocated surplus									**(1)**
General Insurance Fund Contract Liabilities, net									**116**

Key assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Insurance risk (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

$ million	Change in assumptions	Impact on Gross liabilities	Impact on Net liabilities	Impact on Profit before tax	Impact on Equity
2016					
Provision for adverse deviation margin	**+20%**	**3**	**2**	**(2)**	**(1)**
Loss ratio [1]	**+20%**	**59**	**38**	**(38)**	**(30)**
Claims handling expenses	**+20%**	**1**	**3**	**(3)**	**(2)**
2015					
Provision for adverse deviation margin	+20%	3	2	(2)	(1)
Loss ratio [1]	+20%	45	32	(32)	(25)
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. As for 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 monitoring is in place at various levels to ensure that all investment activities are aligned with GEH Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity prices; as well as other risks like credit and liquidity risks are described below.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(a) Interest rate risk (including asset liability mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, GEH Group commenced an exercise to achieve portfolio matching of the assets and liabilities of Great Eastern Life Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching programme will still be subject to the LTRFDR requirement.

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.

(b) Foreign currency risk

Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposures ranging from 15% to 35% are applied to investments in fixed income portfolios at a fund level. Currency risk of investments in foreign equities is generally not hedged.

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. 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.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2016						
Available-for-sale securities						
Equity securities	2,859	3,544	469	4,212	–	11,084
Debt securities	13,651	12,164	9,528	591	–	35,934
Other investments	2,108	182	1,812	1,089	–	5,191
Securities at fair value through profit or loss						
Equity securities	104	1,103	250	578	–	2,035
Debt securities	14	555	238	249	–	1,056
Other investments	1,397	46	278	271	–	1,992
Financial instruments held-for-trading						
Equity securities	–	7	–	–	–	7
Debt securities	485	599	#	1	–	1,085
Derivative financial assets	27	–	56	2	–	85
Loans	531	1,065	13	#	–	1,609
Insurance receivables	1,013	1,560	9	23	–	2,605
Other debtors and interfund balances	680	452	99	24	1,386	2,641
Cash and cash equivalents	2,120	875	288	244	–	3,527
Financial and insurance-related assets	**24,989**	**22,152**	**13,040**	**7,284**	**1,386**	**68,851**
Other creditors and interfund balances	830	253	99	59	1,386	2,627
Insurance payables	942	2,711	5	13	–	3,671
Derivative financial payables	79	–	613	45	–	737
Provision for agents' retirement benefits	–	263	–	–	–	263
Debt issued	400	–	–	–	–	400
General insurance fund contract liabilities	93	128	–	–	–	221
Life assurance fund contract liabilities	33,384	17,783	1,314	431	–	52,912
Financial and insurance-related liabilities	**35,728**	**21,138**	**2,031**	**548**	**1,386**	**60,831**

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2015						
Available-for-sale securities						
Equity securities	2,933	3,642	891	3,594	–	11,060
Debt securities	12,127	11,804	8,205	212	–	32,348
Other investments	1,591	143	1,609	234	–	3,577
Securities at fair value through profit or loss						
Equity securities	111	1,183	228	550	–	2,072
Debt securities	18	324	199	292	–	833
Other investments	1,304	25	237	247	–	1,813
Financial instruments held-for-trading						
Equity securities	–	6	–	–	–	6
Debt securities	338	919	91	1	–	1,349
Derivative financial assets	30	–	7	1	–	38
Loans	662	1,130	17	–	–	1,809
Insurance receivables	991	1,560	3	22	–	2,576
Other debtors and interfund balances	506	297	240	21	1,287	2,351
Cash and cash equivalents	2,267	789	237	198	–	3,491
Financial and insurance-related assets	22,878	21,822	11,964	5,372	1,287	63,323
Other creditors and interfund balances	666	312	197	68	1,287	2,530
Insurance payables	863	2,512	4	13	–	3,392
Derivative financial payables	108	2	402	9	–	521
Provision for agents' retirement benefits	–	251	–	–	–	251
Debt issued	400	–	–	–	–	400
General insurance fund contract liabilities	94	133	–	–	–	227
Life assurance fund contract liabilities	29,686	16,385	1,036	407	–	47,514
Financial and insurance-related liabilities	31,817	19,595	1,639	497	1,287	54,835

GEH Group has no significant concentration of foreign currency risk.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.

(e) Alternative investment risk

GEH Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and GEH Group ALC.

(f) Commodity risk

GEH Group does not have a direct or significant exposure to commodity risk.

(g) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems 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.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

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
2016					
Available-for-sale securities					
Equity securities	–	–	–	11,084	11,084
Debt securities	2,421	12,088	38,963	–	53,472
Other investments	–	–	–	5,191	5,191
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,035	2,035
Debt securities	165	444	909	–	1,518
Other investments	–	–	–	1,992	1,992
Financial instruments held-for-trading					
Equity securities	#	7	#	–	7
Debt securities	48	476	881	–	1,405
Loans	429	1,084	307	–	1,820
Insurance receivables	345	(3)	–	2,263	2,605
Other debtors and interfund balances	2,546	3	61	31	2,641
Cash and cash equivalents	3,527	–	–	–	3,527
Financial and insurance-related assets	9,481	14,099	41,121	22,596	87,297
Other creditors and interfund balances	2,521	50	1	55	2,627
Insurance payables	3,147	512	5	7	3,671
Provision for agents' retirement benefits	79	58	126	–	263
Debt issued	18	74	391	–	483
General insurance fund contract liabilities	189	7	(#)	25	221
Life assurance fund contract liabilities	7,280	6,447	39,185	–	52,912
Financial and insurance-related liabilities	13,234	7,148	39,708	87	60,177

(1) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2015					
Available-for-sale securities					
Equity securities	–	–	–	11,060	11,060
Debt securities	1,951	11,747	33,180	–	46,878
Other investments	–	–	–	3,577	3,577
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,072	2,072
Debt securities	144	351	658	–	1,153
Other investments	–	–	–	1,813	1,813
Financial instruments held-for-trading					
Equity securities	–	5	1	–	6
Debt securities	156	1,179	330	–	1,665
Loans	292	1,512	231	–	2,035
Insurance receivables	343	(4)	1	2,236	2,576
Other debtors and interfund balances	2,287	7	24	33	2,351
Cash and cash equivalents	3,491	–	–	–	3,491
Financial and insurance-related assets	8,664	14,797	34,425	20,791	78,677
Other creditors and interfund balances	2,457	7	1	65	2,530
Insurance payables	2,934	443	5	10	3,392
Provision for agents' retirement benefits	70	54	127	–	251
Debt issued	18	74	409	–	501
General insurance fund contract liabilities	196	(3)	2	32	227
Life assurance fund contract liabilities	6,485	5,361	35,668	–	47,514
Financial and insurance-related liabilities	12,160	5,936	36,212	107	54,415

39. Risk Management (continued)
39.5 Insurance-Related Risk Management (continued)
Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2016				
Cash and cash equivalents	3,219	–	308	3,527
Other debtors and interfund balances	2,592	49	50	2,691
Insurance receivables	345	2,260	–	2,605
Loans	420	1,189	–	1,609
Investments, including derivative financial assets	8,179	45,394	4,895	58,468
Associates	–	47	–	47
Goodwill	–	32	–	32
Property, plant and equipment	–	605	–	605
Investment properties	–	1,539	–	1,539
Assets	14,755	51,115	5,253	71,123
Insurance payables	3,144	516	11	3,671
Other creditors and interfund balances	2,481	107	66	2,654
Unexpired risk reserve	125	–	–	125
Derivative financial payables	294	434	10	738
Income tax	441	–	5	446
Provision for agents' retirement benefits	79	184	–	263
Deferred tax	–	1,053	5	1,058
Debt issued	–	400	–	400
General insurance fund	189	34	–	223
Life assurance fund	1,999	47,568	5,314	54,881
Liabilities	8,752	50,296	5,411	64,459
2015				
Cash and cash equivalents	3,155	–	336	3,491
Other debtors and interfund balances	2,412	84	90	2,586
Insurance receivables	343	2,233	–	2,576
Loans	135	1,674	–	1,809
Investments, including derivative financial assets	6,524	41,999	4,573	53,096
Associates	–	53	–	53
Goodwill	–	32	–	32
Property, plant and equipment	–	610	–	610
Investment properties	–	1,568	–	1,568
Assets	12,569	48,253	4,999	65,821
Insurance payables	2,937	448	7	3,392
Other creditors and interfund balances	2,380	75	107	2,562
Unexpired risk reserve	127	–	–	127
Derivative financial payables	126	390	5	521
Income tax	491	–	6	497
Provision for agents' retirement benefits	70	181	–	251
Deferred tax	–	1,061	7	1,068
Debt issued	–	400	–	400
General insurance fund	196	32	–	228
Life assurance fund	1,518	43,971	4,989	50,478
Liabilities	7,845	46,558	5,121	59,524

(1) * represents expected recovery or settlement within 12 months from the balance sheet date.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(h) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. GEH Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH Group ALC. GEH Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. 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:

		2016		2015	
$ million	**Type of collateral**	**Carrying amount**	**Fair value of collateral**	**Carrying amount**	**Fair value of collateral**
Policy loans	Cash value of policies	**2,186**	**4,508**	2,162	4,456
Secured loans	Properties	**1,114**	**2,549**	1,172	2,674
Secured loans	Others	**435**	**21**	547	26
Derivatives	Cash	**–**	**–**	1	1
		3,735	**7,078**	3,882	7,157

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2016 (2015: nil).

As at the balance sheet date, no investments (2015: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

The tables below show the maximum exposure to credit risk for the components of the balance sheet of GEH Group. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The table also provides information regarding the credit risk exposure of GEH Group by classifying assets according to GEH Group's credit ratings of counterparties.

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2016	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	–	–	–	11,084	–	11,084
Debt securities	26,979	176	8,779	–	–	35,934
Other investments	–	–	–	5,191	–	5,191
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,035	–	2,035
Debt securities	14	17	9	1,016	–	1,056
Other investments	–	–	–	1,992	–	1,992
Financial instruments held-for-trading						
Equity securities	–	–	–	7	–	7
Debt securities	590	–	485	10	–	1,085
Derivative financial assets	77	–	1	7	–	85
Loans	420	–	1,180	–	9	1,609
Insurance receivables	82	–	2,493	–	30	2,605
Other debtors and interfund balances	–	–	2,590	50	1	2,641
Cash and cash equivalents	3,083	18	118	308	–	3,527
	31,245	211	15,655	21,700	40	68,851
2015						
Available-for-sale securities						
Equity securities	–	–	–	11,060	–	11,060
Debt securities	27,855	200	4,293	–	–	32,348
Other investments	–	–	–	3,577	–	3,577
Securities at fair value through profit or loss						
Equity securities (1)	–	–	–	2,072	–	2,072
Debt securities	2	13	7	811	–	833
Other investments (1)	–	–	–	1,813	–	1,813
Financial instruments held-for-trading						
Equity securities	–	–	–	6	–	6
Debt securities	907	–	428	14	–	1,349
Derivative financial assets	34	–	1	3	–	38
Loans	528	–	1,264	–	17	1,809
Insurance receivables	95	–	2,453	–	28	2,576
Other debtors and interfund balances	–	–	2,262	89	#	2,351
Cash and cash equivalents	3,030	20	104	337	–	3,491
	32,451	233	10,812	19,782	45	63,323

(1) Comparatives have been restated to conform to current year's presentation.
(2) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(3) * An ageing analysis for financial assets past due is provided below.
(4) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.5 Insurance-Related Risk Management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	6 to 12 months	Over 12 months	Sub-total	Past due and impaired @	Total
2016						
Loans	–	–	9	9	4	13
Insurance receivables	20	7	3	30	6	36
Other debtors and interfund balances	1	–	#	1	4	5
Total	21	7	12	40	14	54
2015						
Loans	17	–	–	17	–	17
Insurance receivables	21	5	2	28	7	35
Other debtors and interfund balances	#	–	–	#	–	#
Total	38	5	2	45	7	52

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.
(2) # represents amounts less than $0.5 million.

(i) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

(j) Technology risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed technology controls, processes or human behaviour.

GEH Group adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

39. Risk Management (continued)
39.5 Insurance-Related Risk Management (continued)
Market and credit risk (continued)

(k) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear.

The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2016**	**2015**	**2016**	**2015**
Change in variables:				
(a) Interest rate				
+100 basis points	**(93.2)**	(34.4)	**(198.2)**	(134.9)
–100 basis points	**23.1**	(9.1)	**139.4**	98.9
(b) LTRFDR				
+10 basis points	**17.6**	15.2	**17.6**	15.2
–10 basis points	**(18.9)**	(16.1)	**(18.9)**	(16.1)
(c) Foreign currency				
Market value of assets denominated in foreign currency +5%	**24.3**	4.8	**90.8**	57.4
Market value of assets denominated in foreign currency –5%	**(24.3)**	(4.8)	**(90.8)**	(57.4)
(d) Equity				
Market indices +20%				
STI	**17.5**	17.6	**99.8**	96.9
KLCI	**0.5**	0.3	**12.3**	10.7
Market indices –20%				
STI	**(17.5)**	(17.6)	**(99.8)**	(96.9)
KLCI	**(0.5)**	(0.3)	**(12.3)**	(10.7)
(e) Credit				
Spread +100 basis points	**(277.6)**	(214.4)	**(341.9)**	(280.6)
Spread –100 basis points	**328.2**	251.1	**397.4**	322.1
(f) Alternative investments [1]				
Market value of all alternative investments +10%	**21.4**	20.1	**43.9**	41.0
Market value of all alternative investments –10%	**(21.4)**	(20.1)	**(43.9)**	(41.0)

[1] Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

40. Financial Assets and Financial Liabilities Classification

$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
	GROUP					
2016						
Cash and placements with central banks	–	–	16,559	–	–	16,559
Singapore government treasury bills and securities	590	–	–	7,476	–	8,066
Other government treasury bills and securities	2,182	–	–	14,117	–	16,299
Placements with and loans to banks	1,858	–	23,772	14,171	–	39,801
Debt and equity securities	4,127	628	98	18,304	–	23,157
Loans and bills receivable	–	–	216,830	–	–	216,830
Assets pledged	269	1	465	1,054	–	1,789
Derivative receivables	7,838	–	–	–	–	7,838
Other assets	–	–	4,328	–	162	4,490
Amount due from associates	–	–	21	–	–	21
Financial assets	16,864	629	262,073	55,122	162	334,850
Non-financial assets						13,062
						347,912
LAF investment financial assets [1]	78	5,935	7,251	47,111	–	60,375
LAF investment non-financial assets [1]						1,597
Total assets						409,884
Deposits of non-bank customers	–	–	261,486	–	–	261,486
Deposits and balances of banks	–	–	10,740	–	–	10,740
Trading portfolio liabilities	598	–	–	–	–	598
Derivative payables	7,474	–	–	–	–	7,474
Other liabilities [2]	–	–	4,949	–	386	5,335
Debt issued	–	867	19,080	–	–	19,947
Financial liabilities	8,072	867	296,255	–	386	305,580
Non-financial liabilities						2,700
						308,280
LAF financial liabilities [1]	733	–	6,324	–	52,912	59,969
LAF non-financial liabilities [1]						1,993
Total liabilities						370,242

[1] "LAF" refers to Life Assurance Fund.
[2] Other liabilities include amount 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
2015						
Cash and placements with central banks	–	–	21,180	–	–	21,180
Singapore government treasury bills and securities	330	15	–	8,290	–	8,635
Other government treasury bills and securities	1,720	15	–	10,631	–	12,366
Placements with and loans to banks	1,742	–	22,435	11,614	–	35,791
Debt and equity securities	3,367	1,331	148	17,940	–	22,786
Loans and bills receivable	–	–	208,218	–	–	208,218
Assets pledged	358	–	27	1,067	–	1,452
Derivative receivables	6,248	–	–	–	–	6,248
Other assets	–	–	4,172	–	169	4,341
Amount due from associates	–	–	25	–	–	25
Financial assets	13,765	1,361	256,205	49,542	169	321,042
Non-financial assets						12,165
						333,207
LAF investment financial assets [1]	37	5,870	7,281	42,181	–	55,369
LAF investment non-financial assets [1]						1,614
Total assets						390,190
Deposits of non-bank customers	–	–	246,277	–	–	246,277
Deposits and balances of banks	–	–	12,047	–	–	12,047
Trading portfolio liabilities	645	–	–	–	–	645
Derivative payables	6,069	–	–	–	–	6,069
Other liabilities [2]	–	–	4,853	–	388	5,241
Debt issued	–	912	22,567	–	–	23,479
Financial liabilities	6,714	912	285,744	–	388	293,758
Non-financial liabilities						2,327
						296,085
LAF financial liabilities [1]	516	–	5,973	–	47,514	54,003
LAF non-financial liabilities [1]						2,991
Total liabilities						353,079

(1) "LAF" refers to Life Assurance Fund.
(2) Other liabilities include amount due to associates.

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Total
2016					
Cash and placements with central banks	–	–	11,365	–	11,365
Singapore government treasury bills and securities	590	–	–	7,112	7,702
Other government treasury bills and securities	1,757	–	–	5,408	7,165
Placements with and loans to banks	1,829	–	18,253	11,128	31,210
Debt and equity securities	3,499	–	85	8,028	11,612
Loans and bills receivable	–	–	131,874	–	131,874
Placements with and advances to subsidiaries	–	–	8,970	–	8,970
Assets pledged	–	–	–	936	936
Derivative receivables	6,352	–	–	–	6,352
Other assets	–	–	1,351	–	1,351
Financial assets	14,027	–	171,898	32,612	218,537
Non-financial assets					19,310
Total assets					237,847
Deposits of non-bank customers	–	–	155,753	–	155,753
Deposits and balances of banks	–	–	9,090	–	9,090
Deposits and balances of subsidiaries	–	–	16,288	–	16,288
Trading portfolio liabilities	580	–	–	–	580
Derivative payables	6,008	–	–	–	6,008
Other liabilities [(1)]	–	–	1,706	–	1,706
Debt issued	–	867	18,665	–	19,532
Financial liabilities	6,588	867	201,502	–	208,957
Non-financial liabilities					609
Total liabilities					209,566
2015					
Cash and placements with central banks	–	–	15,646	–	15,646
Singapore government treasury bills and securities	330	–	–	8,009	8,339
Other government treasury bills and securities	1,401	–	–	5,393	6,794
Placements with and loans to banks	1,742	–	17,187	10,023	28,952
Debt and equity securities	2,786	–	112	8,457	11,355
Loans and bills receivable	–	–	128,630	–	128,630
Placements with and advances to subsidiaries	–	–	6,682	–	6,682
Assets pledged	–	–	–	1,008	1,008
Derivative receivables	4,915	–	–	–	4,915
Other assets	–	–	1,487	–	1,487
Financial assets	11,174	–	169,744	32,890	213,808
Non-financial assets					18,153
Total assets					231,961
Deposits of non-bank customers	–	–	154,168	–	154,168
Deposits and balances of banks	–	–	10,166	–	10,166
Deposits and balances of subsidiaries	–	–	9,963	–	9,963
Trading portfolio liabilities	645	–	–	–	645
Derivative payables	4,740	–	–	–	4,740
Other liabilities [(1)]	–	–	1,651	–	1,651
Debt issued	–	912	22,525	–	23,437
Financial liabilities	5,385	912	198,473	–	204,770
Non-financial liabilities					454
Total liabilities					205,224

(1) Other liabilities include amount due to associates.

41. Fair Values of Financial Instruments

41.1 Valuation Control Framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation policies are reviewed annually by the MRM function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions' compliance with the policy.

41.2 Fair Values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair value, which approximate the carrying value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

41.3 Fair Value Hierarchy

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities recorded at fair value by level of the fair value hierarchies:

$ million	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks	–	16,556	–	16,556	13	13,580	–	13,593
Debt and equity securities	21,069	2,546	239	23,854	20,818	2,728	183	23,729
Derivative receivables	34	7,765	39	7,838	60	6,142	46	6,248
Government treasury bills and securities	22,338	2,029	–	24,367	19,720	1,379	–	21,099
Life Assurance Fund investment assets [1]	38,880	13,072	1,172	53,124	33,721	13,160	1,206	48,087
Total	82,321	41,968	1,450	125,739	74,332	36,989	1,435	112,756
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	–	1,539	1,539	–	–	1,568	1,568
Total	–	–	1,539	1,539	–	–	1,568	1,568
Financial liabilities measured at fair value								
Derivative payables	91	7,348	35	7,474	79	5,943	47	6,069
Trading portfolio liabilities	598	–	–	598	645	–	–	645
Debt issued	–	867	–	867	–	912	–	912
Life Assurance Fund financial liabilities	–	733	–	733	–	516	–	516
Total	689	8,948	35	9,672	724	7,371	47	8,142
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	–	13,484	–	13,484	–	12,002	–	12,002
Debt and equity securities	9,664	2,197	72	11,933	9,714	2,170	33	11,917
Derivative receivables	2	6,314	36	6,352	2	4,866	47	4,915
Government treasury bills and securities	14,107	762	–	14,869	14,312	917	–	15,229
Total	23,773	22,757	108	46,638	24,028	19,955	80	44,063
Financial liabilities measured at fair value								
Derivative payables	4	5,973	31	6,008	4	4,696	40	4,740
Trading portfolio liabilities	580	–	–	580	645	–	–	645
Debt issued	–	867	–	867	–	912	–	912
Total	584	6,840	31	7,455	649	5,608	40	6,297

(1) Comparatives have been restated to conform to current year's presentation.

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity and from Level 1 to Level 2 due to reduced market activity.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP $ million	Fair value at 31 December 2016	Classification	Valuation technique	Unobservable input
Financial assets				
Debt securities	26	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	213	Available-for-sale	Net asset value/ Multiples	Net asset value/ Earnings and ratios
Derivative receivables	39	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Life Assurance Fund investment assets	1,172	Available-for-sale	Net asset value	Net asset value
Total	**1,450**			
Financial liabilities				
Derivative payables	35	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Total	**35**			

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Movements in the Group's Level 3 financial assets and liabilities

GROUP $ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Life Assurance Fund investment assets [1]	Total
Assets measured at fair value					
At 1 January 2015	107	#	132	1,148	1,387
Purchases	40	–	11	92	143
Settlements/disposals	(3)	–	–	(94)	(97)
Transfers in to Level 3	10 [2]	–	–	–	10
Gains/(losses) recognised in					
– profit or loss	#	(#)	(96)	(61)	(157)
– other comprehensive income	29	#	(1)	121	149
At 31 December 2015/1 January 2016	**183**	**–**	**46**	**1,206**	**1,435**
Purchases	**20**	**–**	**4**	**68**	**92**
Settlements/disposals	**–**	**–**	**(#)**	**(98)**	**(98)**
Transfers in to Level 3	**12** [3]	**–**	**–**	**–**	**12**
Gains/(losses) recognised in					
– profit or loss	**(1)**	**–**	**(11)**	**(17)**	**(29)**
– other comprehensive income	**25**	**–**	**(#)**	**13**	**38**
At 31 December 2016	**239**	**–**	**39**	**1,172**	**1,450**
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year					
31 December 2016	**(13)**	**–**	**34**	**(6)**	**15**
31 December 2015	#	(#)	17	(2)	15

(1) Comparatives have been restated to conform to current year's presentation.
(2) Relates to transfers from amortised cost to Level 3.
(3) Relates to transfers from amortised cost to Level 3 and from Level 2 to Level 3 due to use of inputs not based on market observable data.
(4) # represents amounts less than $0.5 million.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

Gains/(losses) included in profit or loss are presented in the income statement as follows:

GROUP $ million	2016 Net interest income	2016 Trading income	2016 Other income	2016 Total	2015 Net interest income	2015 Trading income	2015 Other income	2015 Total
Total gains/(losses) included in profit or loss for the year ended [1]	–	(11)	(18)	(29)	2	(95)	(64)	(157)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year [1]	–	34	(19)	15	–	17	(2)	15

(1) Comparatives have been restated to conform to current year's presentation.

BANK $ million	2016 Available-for-sale assets	2016 Derivative receivables	2016 Total	2015 Available-for-sale assets	2015 Derivative receivables	2015 Total
Financial assets measured at fair value						
At 1 January	33	47	80	23	127	150
Purchases	20	4	24	18	6	24
Settlements/disposals	–	–	–	(3)	–	(3)
Transfers in to Level 3	4 [1]	–	4	–	–	–
Gains/(losses) recognised in						
– profit or loss	12	(15)	(3)	1	(86)	(85)
– other comprehensive income	3	–	3	(6)	–	(6)
At 31 December	72	36	108	33	47	80
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	30	30	#	22	22

Gains/(losses) included in profit or loss are presented in the income statement as follows:

BANK $ million	2016 Trading income	2016 Other income	2016 Total	2015 Trading income	2015 Other income	2015 Total
Total gains/(losses) included in profit or loss for the year ended	(14)	11	(3)	(86)	1	(85)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	30	–	30	22	#	22

(1) Relates to transfers from amortised cost to Level 3.
(2) # represents amounts less than $0.5 million.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

	GROUP				BANK			
	2016		2015		2016		2015	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	47	47	128	128	40	40	122	122
Issues	6	6	21	21	7	7	17	17
Settlements/disposals	(1)	(1)	(4)	(4)	(#)	(#)	(#)	(#)
Losses/(gains) recognised in								
– profit or loss	(17)	(17)	(97)	(97)	(16)	(16)	(99)	(99)
– other comprehensive income	(#)	(#)	(1)	(1)	–	–	–	–
At 31 December	35	35	47	47	31	31	40	40
Unrealised losses included in profit or loss for liabilities held at the end of the year	(24)	(24)	(16)	(16)	(24)	(24)	(12)	(12)

(1) # represents amounts less than $0.5 million.

Gains/(losses) included in profit or loss are presented in the income statements as follows:

	GROUP				BANK			
	2016		2015		2016		2015	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains included in profit or loss for the year ended	17	17	97	97	16	16	99	99
Unrealised losses included in profit or loss for liabilities held at the end of the year	(24)	(24)	(16)	(16)	(24)	(24)	(12)	(12)

Movements in the Group's Level 3 non-financial assets

	GROUP			
	2016		2015	
$ million	Life Assurance Fund investment properties	Total	Life Assurance Fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	1,568	1,568	1,632	1,632
Purchases	–	–	#	#
Sales	(9)	(9)	–	–
Losses/(gains) recognised in				
– profit or loss	(16)	(16)	(38)	(38)
– other comprehensive income	(4)	(4)	(26)	(26)
At 31 December	1,539	1,539	1,568	1,568

(1) # represents amounts less than $0.5 million.

42. Offsetting Financial Assets and Financial Liabilities

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

				Related amounts not offset on balance sheet			
Types of financial assets/liabilities GROUP ($ million)	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B) [1]**	**Gross recognised financial instruments in scope (A−B=C+D+E+F) [2]**	**Financial instruments (C) [3]**	**Cash collateral (D)**	**Non-cash collateral (E)**	**Net amounts in scope (F)**
2016							
Financial assets							
Derivative receivables	**7,838**	**2,899**	**4,939**	**3,228**	**633**	**33**	**1,045**
Reverse repurchase agreements	**4,974** [4]	**451**	**4,523**	**4,483**	**–**	**–**	**40**
Securities borrowings	**19** [5]	**–**	**19**	**17**	**–**	**–**	**2**
Total	**12,831**	**3,350**	**9,481**	**7,728**	**633**	**33**	**1,087**
Financial liabilities							
Derivative payables	**7,474**	**2,076**	**5,398**	**3,228**	**1,044**	**–**	**1,126**
Repurchase agreements	**1,194** [6]	**357**	**837**	**837**	**–**	**–**	**–**
Securities lendings	**11** [7]	**11**	**–**	**–**	**–**	**–**	**–**
Total	**8,679**	**2,444**	**6,235**	**4,065**	**1,044**	**–**	**1,126**
2015							
Financial assets							
Derivative receivables	6,248	1,669	4,579	2,293	378	–	1,908
Reverse repurchase agreements	3,097 [4]	441	2,656	2,647	–	–	9
Securities borrowings	9 [5]	–	9	8	–	–	1
Total	9,354	2,110	7,244	4,948	378	–	1,918
Financial liabilities							
Derivative payables	6,069	1,209	4,860	2,293	918	–	1,649
Repurchase agreements	1,507 [6]	362	1,145	1,143	–	–	2
Securities lendings	11 [7]	11	–	–	–	–	–
Total	7,587	1,582	6,005	3,436	918	–	1,651

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected 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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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)
2016							
Financial assets							
Derivative receivables	**6,352**	**2,095**	**4,257**	**2,868**	**313**	**33**	**1,043**
Reverse repurchase agreements	**4,927** [4]	**451**	**4,476**	**4,436**	**–**	**–**	**40**
Securities borrowings	**11** [5]	**–**	**11**	**11**	**–**	**–**	**–**
Total	**11,290**	**2,546**	**8,744**	**7,315**	**313**	**33**	**1,083**
Financial liabilities							
Derivative payables	**6,008**	**1,423**	**4,585**	**2,868**	**844**	**–**	**873**
Repurchase agreements	**833** [6]	**–**	**833**	**833**	**–**	**–**	**–**
Total	**6,841**	**1,423**	**5,418**	**3,701**	**844**	**–**	**873**
2015							
Financial assets							
Derivative receivables	4,915	1,156	3,759	2,110	133	–	1,516
Reverse repurchase agreements	3,062 [4]	441	2,621	2,613	–	–	8
Securities borrowings	6 [5]	–	6	6	–	–	#
Total	7,983	1,597	6,386	4,729	133	–	1,524
Financial liabilities							
Derivative payables	4,740	775	3,965	2,110	752	–	1,103
Repurchase agreements	1,107 [6]	–	1,107	1,104	–	–	3
Total	5,847	775	5,072	3,214	752	–	1,106

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected 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.
(7) # represents amounts less than $0.5 million.

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,063,677**	4,333,914	**3,264,335**	3,411,056
Term to maturity of more than one year	**1,930,330**	1,986,173	**1,326,100**	1,556,992
	5,994,007	6,320,087	**4,590,435**	4,968,048
Acceptances and endorsements	**1,300,489**	970,730	**634,404**	347,172
Documentary credits and other short term trade-related transactions	**3,850,565**	2,318,864	**3,048,191**	1,389,943
	11,145,061	9,609,681	**8,273,030**	6,705,163
43.1 Analysed by Industry				
Agriculture, mining and quarrying	**209,781**	238,790	**257,241**	273,413
Manufacturing	**1,840,893**	2,044,785	**889,064**	1,120,817
Building and construction	**1,466,296**	1,566,119	**832,285**	1,047,932
General commerce	**5,461,263**	2,914,953	**4,716,420**	2,170,122
Transport, storage and communication	**451,106**	531,410	**312,386**	402,770
Financial institutions, investment and holding companies	**492,558**	776,500	**580,727**	761,474
Professionals and individuals	**294,233**	277,197	**62,404**	56,006
Others	**928,931**	1,259,927	**622,503**	872,629
	11,145,061	9,609,681	**8,273,030**	6,705,163
43.2 Analysed by Geography				
Singapore	**6,209,345**	5,306,132	**6,447,741**	5,505,727
Malaysia	**1,190,586**	1,136,800	**13,491**	14,321
Indonesia	**1,195,478**	936,178	**–**	–
Greater China	**2,208,740**	1,768,323	**1,442,359**	710,398
Other Asia Pacific	**246,092**	319,163	**274,619**	331,632
Rest of the World	**94,820**	143,085	**94,820**	143,085
	11,145,061	9,609,681	**8,273,030**	6,705,163

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 commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group subject to notice requirements.

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
44.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**102,378,264**	93,856,263	**40,663,317**	45,548,712
Term to maturity of more than one year	**16,773,901**	19,258,022	**14,462,230**	16,073,106
	119,152,165	113,114,285	**55,125,547**	61,621,818
44.2 Other Commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**48,715**	65,034	**23,594**	20,747
After 1 year but within 5 years	**106,929**	85,802	**23,479**	26,582
Over 5 years	**4,026**	1,796	**–**	–
	159,670	152,632	**47,073**	47,329
Capital commitment authorised and contracted	**180,393**	292,970	**116,597**	111,391
Forward deposits and assets purchase	**472,715**	2,012,343	**271,860**	2,212,101
	812,778	2,457,945	**435,530**	2,370,821
44.3 Total Commitments	**119,964,943**	115,572,230	**55,561,077**	63,992,639
44.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,361,883**	2,221,509	**641,966**	1,504,256
Manufacturing	**8,576,265**	8,094,900	**3,413,712**	3,362,722
Building and construction	**12,414,720**	9,884,446	**9,376,531**	7,558,946
General commerce	**15,741,824**	22,119,174	**11,913,334**	17,250,058
Transport, storage and communication	**3,083,792**	3,742,116	**2,440,116**	3,172,830
Financial institutions, investment and holding companies	**29,253,760**	24,128,941	**11,045,825**	11,581,364
Professionals and individuals	**41,906,660**	35,770,954	**13,019,005**	14,076,406
Others	**6,813,261**	7,152,245	**3,275,058**	3,115,236
	119,152,165	113,114,285	**55,125,547**	61,621,818
44.5 Credit Commitments Analysed by Geography				
Singapore	**89,972,832**	84,227,371	**46,517,627**	52,607,646
Malaysia	**7,010,061**	7,800,925	**254,752**	341,701
Indonesia	**4,753,597**	3,678,224	**–**	–
Greater China	**13,847,436**	13,840,682	**4,754,145**	5,098,628
Other Asia Pacific	**1,655,114**	1,521,303	**1,661,684**	1,528,063
Rest of the World	**1,913,125**	2,045,780	**1,937,339**	2,045,780
	119,152,165	113,114,285	**55,125,547**	61,621,818

Credit commitments analysed by geography is based on the country where the transactions are recorded.

45. Unconsolidated Structured Entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Group. The Group's transactions in these structured entities are for investment opportunities as well as to facilitate client transactions. The Group's maximum exposure to loss is primarily limited to the carrying amount on its balance sheet and loan and capital commitments to these structured entities.

The following table summarises the carrying amount of the assets and liabilities recognised in the Group's financial statements relating to the interests in unconsolidated structured entities undertaken by business segments.

GROUP ($million)	Global investment banking	Insurance	Others	Total
2016				
Available-for-sale investments	**54**	**134**	**#**	**188**
Other assets	**–**	**5**	**–**	**5**
Total assets	**54**	**139**	**#**	**193**
Other liabilities	**–**	**#**	**#**	**#**
Total liabilities	**–**	**#**	**#**	**#**
Other commitments				
Loan and capital commitments authorised and contracted [(1)]	**43**	**–**	**–**	**43**
Income earned from sponsored structured entities [(2)]	**–**	**41**	**6**	**47**
Assets of structured entities	**476**	**4,091**	**594**	**5,161**
2015				
Available-for-sale investments	67	114	#	181
Other assets	–	5	–	5
Total assets	67	119	#	186
Other liabilities	–	#	#	#
Total liabilities	–	#	#	#
Other commitments				
Loan and capital commitments authorised and contracted [(1)]	52	–	–	52
Income earned from sponsored structured entities [(2)]	5	38	4	47
Assets of structured entities	628	3,537	419	4,584

(1) These were also included in the Group's capital commitment authorised and contracted in Note 44.

(2) The income earned relates primarily to management fee, interest income or fair value gains or losses recognised by the Group arising from the interests held by the Group in the unconsolidated investment funds.

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

The amount of assets transferred to sponsored entities during 2016 and 2015 were not significant.

46. Assets Pledged

	GROUP		BANK	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Government treasury bills and securities (Note 24)				
– Singapore	–	37,134	–	37,134
– Others	**2,302**	60,501	**2,302**	59,078
Placements with and loans to banks (Note 25)	**527,285**	236,754	**527,285**	236,754
Loans and bills receivable (Note 26)	**464,746**	27,036	–	–
Debt securities (Note 30)	**794,582**	1,090,460	**406,343**	674,734
	1,788,915	1,451,885	**935,930**	1,007,700
Repo balances for assets pledged	**1,192,790**	1,302,103	**831,394**	901,673

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 $4,760.3 million (2015: $1,201.4 million), of which $174.2 million (2015: $370.0 million) have been sold or re-pledged. The Group is obliged to return equivalent assets.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

47. Assets Held for Sale

Assets held for sale comprise properties which the Group is disposing, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the current financial year.

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within 1 year	**54,234**	55,878	**18,788**	20,059
After 1 year but within 5 years	**46,208**	40,419	**22,527**	8,418
Over 5 years	**202**	6,045	–	–
	100,644	102,342	**41,315**	28,477

The Group leases retail, commercial and hotel space to third parties with varying terms including variable rent, escalation clauses and renewal rights.

49. Related Party Transactions

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

49.1 Related party balances at the balance sheet date and transactions during the financial year were as follows:

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2016	25	15	23	1
Net change	(4)	3	(1)	(1)
At 31 December 2016	**21**	**18**	**22**	**–**
(b) Deposits, borrowings and other payables				
At 1 January 2016	334	153	35	1,099
Net change	(128)	(98)	15	(234)
At 31 December 2016	**206**	**55**	**50**	**865**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2016	–	321	6	1
Net change	–	(314)	(6)	(#)
At 31 December 2016	**–**	**7**	**–**	**1**
(d) Income statement transactions				
Year ended 31 December 2016				
Interest income	**1**	**#**	**#**	**#**
Interest expense	**2**	**1**	**#**	**10**
Rental income	**–**	**–**	**–**	**1**
Fee and commission and other income	**–**	**1**	**#**	**178**
Rental and other expenses	**4**	**1**	**#**	**8**
Year ended 31 December 2015				
Interest income	5	#	#	#
Interest expense	2	1	#	32
Rental income	–	2	–	1
Fee and commission and other income	#	1	#	140
Rental and other expenses	5	1	#	7

[1] Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
[2] # represents amounts less than $0.5 million.

49. Related Party Transactions (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2016	6,682	–	14	23	1
Net change	2,621	–	(2)	(1)	(1)
At 31 December 2016	**9,303**	**–**	**12**	**22**	**–**
(b) Deposits, borrowings and other payables					
At 1 January 2016	11,463	144	135	33	347
Net change	6,458	(17)	(103)	14	65
At 31 December 2016	**17,921**	**127**	**32**	**47**	**412**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2016	1,709	–	311	6	1
Net change	(447)	–	(311)	(6)	(#)
At 31 December 2016	**1,262**	**–**	**#**	**–**	**1**
(d) Income statement transactions					
Year ended 31 December 2016					
Interest income	**76**	**–**	**#**	**#**	**#**
Interest expense	**201**	**2**	**#**	**#**	**1**
Rental income	**24**	**–**	**–**	**–**	**–**
Fee and commission and other income	**38**	**–**	**#**	**#**	**133**
Rental and other expenses	**290**	**4**	**#**	**#**	**#**
Year ended 31 December 2015					
Interest income	104	#	#	#	#
Interest expense	158	1	1	#	#
Rental income	26	–	–	–	–
Fee and commission and other income	33	–	#	#	98
Rental and other expenses	266	5	#	–	#

(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 2016 $ million	BANK 2015 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**40**	40
Share-based benefits	**15**	15
	55	55

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2016 included in the above table are subject to the approval of the Remuneration Committee.

50. 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:

FRS	Title	Effective for financial year beginning on or after
FRS 7 (Amendments)	*Statement of Cash Flows: Disclosure Initiatives*	1 January 2017
FRS 12 (Amendments)	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Various	*Improvements to FRSs (December 2016)*	1 January 2017/1 January 2018
FRS 40 (Amendments)	*Investment Property: Transfers of Investment Property*	1 January 2018
FRS 102 (Amendments)	*Share-based Payment: Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 104 (Amendments)	*Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 115 (Amendments)	*Revenue from Contracts with Customers: Clarifications to FRS 115*	1 January 2018
INT FRS 122	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116	*Leases*	1 January 2019
FRS 110 and FRS 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 material impact on the financial statements of the Group and Bank except for FRS 109.

For FRS 109, a Project Steering Committee ("PSC"), led by Group Finance, has been formed to oversee the implementation of FRS 109 Project ("Project"). The PSC includes representatives from Group Risk, Business Units as well as Group Operations and Technology.

To date, the Project has been focused on performing the preliminary impact analysis, planning the implementation approach, defining the process and system target operating models, developing the risk modelling methodologies and platforms for the calculation of impairment, and reviewing the Group accounting policies.

The main areas under FRS 109 are classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

On the classification and measurement of financial assets, this will depend on how the assets are managed (business model) and their contractual cash flow characteristics. These factors will determine if the financial assets are measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial liabilities is largely unchanged.

The Group conducted a preliminary assessment of potential classification and measurement changes to financial assets based on the composition of the balance sheet as at 31 December 2015. A final assessment will be completed before the transition date of FRS 109.

Based on the preliminary assessment performed, the Group expects that:

- Financial assets measured at FVTPL will continue to be substantially measured at FVTPL under FRS 109;
- Debt securities measured at available-for-sale will be substantially measured at FVOCI except for some securities which might be measured at amortised cost or FVTPL because of the business model or their underlying contractual cash flow characteristics;
- Loans and advances and reverse repurchase agreements that are classified as loans and receivables will be substantially measured at amortised cost except for some loans and receivables which might be measured at FVTPL because of their underlying contractual cash flow;
- All equity investments will be substantially measured at fair value. The Group is still assessing the option to measure certain investments as FVOCI.

The other areas under FRS 109 are still in progress. Quantification of the potential impact arising from FRS 109 will be provided when reliable financial estimates can be obtained as the Group makes further advances in the Project.

Group's Major Properties

As at 31 December 2016

	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	23,464	1,043,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	95,400	359,600
18 Church Street, OCBC Centre South	Office	100	118,909	69,615	161,160
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	280,436	440,000
11 Tampines Central 1	Office	100	115,824	56,245	99,000
31 Tampines Avenue 4	Office	100	97,572	42,872	76,000
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]	32,592	69,400
260 Tanjong Pagar Road	Office	100	44,940	8,221	62,500
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,327	34,500
460 North Bridge Road	Office	100	26,576	2,446	30,500
70 Loyang Drive	Office	100	134,287	120,936	176,800
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	36,762	241,700
2 Mt Elizabeth Link	Residential	100	104,377	19,710	182,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	11,988	51,900
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,496	19,710
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	537,754	1,035,700
				1,342,264	4,083,470
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	17,343	37,083
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	6,826	22,079
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	174,679	218,816
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	223,941	284,397
				398,620	503,213
Other properties in					
Singapore				89,971	539,955
Malaysia				18,259	91,698
Indonesia				54,928	93,072
Greater China				1,352,788	1,714,659
Other Asia Pacific				13,573	63,185
Rest of the World				1,726	16,625
				1,531,245	2,519,194
Total [3]				**3,296,298**	**7,165,039**

(1) Valuations were made by independent firms of professional valuers.
(2) Refers to strata floor area.
(3) Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.

Ordinary/Preference Shareholding Statistics

As at 7 March 2017

Class of Shares

Ordinary Shares

Voting Rights

One vote per ordinary share (other than ordinary shares held as treasury shares, which are treated as having no voting rights)

Distribution of Ordinary Shareholders

Size of Holdings	Number of Ordinary Shareholders	%	Number of Ordinary Shares Held	%
1 – 99	6,630	6.86	252,536	0.01
100 – 1,000	19,607	20.30	11,366,750	0.27
1,001 – 10,000	53,634	55.53	191,320,131	4.56
10,001 – 1,000,000	16,571	17.16	751,199,112	17.91
1,000,001 and above	148	0.15	3,239,590,834	77.25
Total	**96,590**	**100.00**	**4,193,729,363**	**100.00**

Number of issued ordinary shares (including treasury shares): 4,193,729,363
Number of ordinary shares held in treasury: 10,099,193
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.24%

Twenty Largest Ordinary Shareholders

	Ordinary Shareholders	Number of Ordinary Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	728,352,743	17.41
2.	Selat (Pte) Limited	462,024,552	11.04
3.	DBS Nominees (Private) Limited	388,772,721	9.29
4.	HSBC (Singapore) Nominees Pte Ltd	193,856,083	4.63
5.	Lee Foundation	181,690,897	4.34
6.	DBSN Services Pte Ltd	157,603,643	3.77
7.	Singapore Investments Pte Ltd	157,007,526	3.75
8.	Lee Rubber Company (Pte) Limited	129,850,352	3.10
9.	United Overseas Bank Nominees (Private) Limited	72,834,310	1.74
10.	BNP Paribas Securities Services Singapore	72,201,487	1.73
11.	Raffles Nominees (Pte.) Limited	63,824,819	1.53
12.	Lee Latex (Pte) Limited	59,940,381	1.43
13.	Kallang Development (Pte) Limited	40,340,020	0.96
14.	DB Nominees (Singapore) Pte Ltd	31,331,233	0.75
15.	Lee Pineapple Company (Pte) Limited	28,046,030	0.67
16.	Kew Estate Limited	26,069,097	0.62
17.	Tropical Produce Company Pte Ltd	20,441,980	0.49
18.	Kota Trading (Singapore) Pte Ltd	20,340,492	0.49
19.	Island Investment Company Pte Ltd	18,200,411	0.44
20.	Lee Plantations Pte Limited	15,616,280	0.37
Total		**2,868,345,057**	**68.55**

* Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares.

Approximately 72.1% of the issued ordinary shares (excluding ordinary shares held in treasury) are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Ordinary/Preference Shareholding Statistics

As at 7 March 2017

Substantial Ordinary Shareholders (As shown in the Register of Substantial Shareholders)

Substantial ordinary shareholders	Direct interest No. of Shares	Deemed interest No. of Shares	Total No. of Shares	%*
Lee Foundation	181,690,897	649,586,201 (1)	831,277,098	19.87
Selat (Pte) Limited	462,024,552	19,805,502 (2)	481,830,054	11.52

* Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares.

(1) This represents Lee Foundation's deemed interest in (a) the 28,046,030 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 462,024,552 ordinary shares held by Selat (Pte) Limited, (c) the 157,007,526 ordinary shares held by Singapore Investments (Pte) Limited, and (d) the 2,508,093 ordinary shares held by Peninsula Plantations Sendirian Berhad.

(2) This represents Selat (Pte) Limited's deemed interest in (a) the 1,605,091 ordinary shares held by South Asia Shipping Company Private Limited, and (b) the 18,200,411 ordinary shares held by Island Investment Company (Private) Limited.

Class of Shares

Non-Cumulative Non-Convertible Class M Preference Shares

Voting Rights

Except as provided below, the Class M Preference Shareholders shall not be entitled to vote at general meetings of the Bank.

The Class M Preference Shareholders shall be entitled to attend class meetings of the Class M Preference Shareholders. Every Class M Preference Shareholder who is present in person at such class meetings shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

If dividends with respect to the Class M Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 months have not been paid in full when due, then the Class M Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class M Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class M Preference Shareholders). Every Class M Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

Distribution of Class M Preference Shareholders

Size of Holdings	Number of Class M Preference Shareholders	%	Number of Class M Preference Shares Held	%
10,001 – 1,000,000	676	94.81	220,250,000	22.02
1,000,001 and above	37	5.19	779,750,000	77.98
Total	**713**	**100.00**	**1,000,000,000**	**100.00**

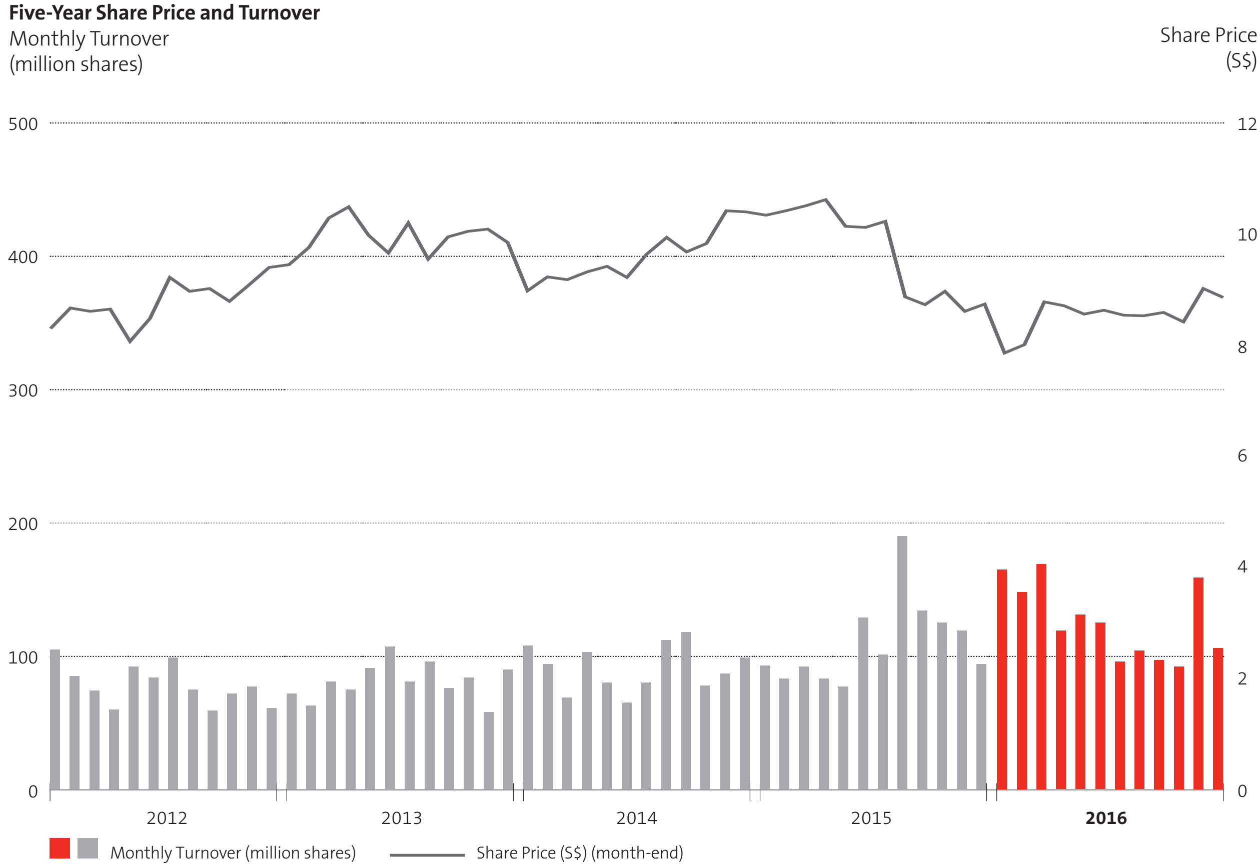
Twenty Largest Class M Preference Shareholders

	Class M Preference Shareholders	Number of Class M Preference Shares Held	%
1.	Citibank Nominees Singapore Pte Ltd	415,250,000	41.53
2.	DBS Nominees (Private) Limited	134,250,000	13.43
3.	Raffles Nominees (Pte) Limited	58,000,000	5.80
4.	HSBC (Singapore) Nominees Pte Ltd	35,500,000	3.55
5.	United Overseas Bank Nominees (Private) Limited	33,000,000	3.30
6.	NTUC Fairprice Co-Operative Ltd	10,000,000	1.00
7.	BNP Paribas Nominees Singapore Pte Ltd	9,750,000	0.98
8.	Thye Hua Kwan Holdings Pte Ltd	7,000,000	0.70
9.	Thomson Shin Min Foundation	6,000,000	0.60
10.	DB Nominees (Singapore) Pte Ltd	5,500,000	0.55
11.	SIM University	5,000,000	0.50
12.	Singapura Finance Ltd	5,000,000	0.50
13.	DBSN Services Pte Ltd	4,750,000	0.47
14.	Othman Bin Haron Eusofe, Lim Boon Heng & John De Payva	4,000,000	0.40
15.	Singapore Workforce Development Agency	3,500,000	0.35
16.	Jurong Engineering Limited	3,000,000	0.30
17.	Nomura Singapore Limited	2,750,000	0.27
18.	Fu Chong Cheng Peter	2,500,000	0.25
19.	OCBC Securities Private Limited	2,250,000	0.22
20.	Goh Ah Bah Albert	2,000,000	0.20
Total		**749,000,000**	**74.90**

Note: The Bank is not required to maintain a register of substantial shareholders under Section 137C of the Securities and Futures Act, Cap. 289 in relation to the Class M Preference Shares.

Investor Reference

Five-Year Share Price and Turnover



	2012	2013	2014	2015	2016
Share Price (S$) [(1)]					
Highest	9.57	10.88	10.50	10.90	**9.45**
Lowest	7.69	9.30	8.84	8.54	**7.45**
Daily Average	8.75	10.00	9.60	9.85	**8.60**
Last Done	9.46	9.91	10.46	8.80	**8.92**
Per ordinary share [(1)]					
Basic earnings (cents)	110.0	75.9	102.5	95.2	**82.2**
Basic core earnings (cents) [(2)]	76.9	75.9	91.9	95.2	**82.2**
Net interim and final dividend (cents) [(3)]	33.0	34.0	36.0	36.0	**36.0**
Net asset value (NAV) (S$)	6.79	6.99	7.46	8.03	**8.49**
Ratios [(1) (4)]					
Price-earnings ratio	7.95	13.18	9.37	10.35	**10.46**
Price-earnings ratio - based on core earnings	11.38	13.18	10.45	10.35	**10.46**
Net dividend yield (%)	3.77	3.40	3.75	3.66	**4.19**
Price/NAV (number of times)	1.29	1.43	1.29	1.23	**1.01**

(1) Figures have been adjusted for the effects of the 1-for-8 rights issue, effected on 26 September 2014.
(2) Calculated based on core 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) Dividends are stated net of tax, where relevant.
(4) Price ratios, dividend yield and price/NAV are based on daily-average share prices.

Five-Year Ordinary Share Capital History

Year	Particulars	Number of ordinary shares ('000) Issued	Held in Treasury	In circulation
2012	Shares issued to non-executive directors	56		
	Share buyback		(18,242)	
	Issue of shares pursuant to Share Option Schemes		6,248	
	Issue of shares pursuant to Employee Share Purchase Plan		1,716	
	Issue of shares pursuant to Deferred Share Plan		4,086	
	Year end balance	3,441,100	(10,159)	3,430,941
2013	Shares issued to non-executive directors	77		
	Share buyback		(14,459)	
	Issue of shares pursuant to Share Option Schemes		7,896	
	Issue of shares pursuant to Employee Share Purchase Plan		5,180	
	Issue of shares pursuant to Deferred Share Plan		3,174	
	Year end balance	3,441,177	(8,368)	3,432,809
2014	Shares issued to non-executive directors	76		
	Shares issued in lieu of dividend	114,901		
	Shares issued pursuant to Rights Issue	436,775		
	Share buyback		(16,387)	
	Issue of shares pursuant to Share Option Schemes		5,083	
	Issue of shares pursuant to Employee Share Purchase Plan		6,278	
	Issue of shares pursuant to Deferred Share Plan		4,351	
	Year end balance	3,992,929	(9,043)	3,983,886
2015	Shares issued to non-executive directors	68		
	Shares issued in lieu of dividend	128,564		
	Share buyback		(11,750)	
	Issue of shares pursuant to Share Option Schemes		4,176	
	Issue of shares pursuant to Employee Share Purchase Plan		5,743	
	Issue of shares pursuant to Deferred Share Plan		4,788	
	Year end balance	4,121,561	(6,086)	4,115,475
2016	Shares issued to non-executive directors	58		
	Shares issued in lieu of dividend	72,110		
	Share buyback		(13,614)	
	Issue of shares pursuant to Share Option Schemes		1,497	
	Issue of shares pursuant to Employee Share Purchase Plan		26	
	Issue of shares pursuant to Deferred Share Plan		7,155	
	Year end balance	4,193,729	(11,022)	4,182,707

International Network

Southeast Asia

Singapore

OCBC Bank Limited
Head Office
63 Chulia Street
#10-00 OCBC Centre East
Singapore 049514
Tel: (65) 6318 7222
Fax: (65) 6534 3986
www.ocbc.com

OCBC Bank has 51 branches in Singapore.

Bank of Singapore Limited
Head Office
63 Market Street
#22-00
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6559 8000
Fax: (65) 6559 8180
www.bankofsingapore.com

Great Eastern Holdings Limited
The Great Eastern Life Assurance Company Limited
The Overseas Assurance Corporation Limited
Head Office
1 Pickering Street
#13-01 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
#13-01 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) 2233 118
Fax: (673) 2238 118
www.greateasternlife.com

Lion Global Investors Limited
Brunei Branch
Unit 3 Level 2
Dar Takaful IBB Utama
Jalan Pemancha
Bandar Seri Begawan
BS 8711
Negara Brunei Darussalam
Tel: (673) 2230 826/2230 836
Fax: (673) 2230 283

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 340 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 4719
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

PT OCBC Sekuritas Indonesia
Surabaya Branch
Graha Bukopin Surabaya
10th Floor Unit 10.02 - 10.03
Jl Panglima Sudirman
No 10 - 18 Surabaya 60271
Indonesia
Tel: (6231) 9900 1721
Fax: (6231) 9900 1722

Malaysia

OCBC Bank (Malaysia) Berhad
Head Office
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
www.ocbc.com.my

OCBC Contact Centre:
Within Malaysia
Tel: (603) 8317 5000 (Personal)
Tel: 1300 88 7000 (Corporate)
Outside Malaysia
Tel: (603) 8317 5000
(Personal)
Tel: (603) 8317 5200
(Corporate)

OCBC Bank (Malaysia) Berhad has 32 branches in Malaysia.

OCBC Al-Amin Bank Berhad
Head Office
25th floor Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Malaysia

General Enquiries:
Within Malaysia
Tel: (603)8314 9310 (Personal)
Tel: 1300 88 0255 (Corporate)
Outside Malaysia
Tel: (603) 8314 9310
(Personal)
Tel: (603) 8314 9090
(Corporate)

OCBC Al-Amin Bank Berhad has 13 branches in Malaysia.

OCBC Bank Limited
Labuan Branch
Licensed Labuan Bank
(940026C) Level 8 (C)
Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory
Malaysia
Tel: (60-87) 423 381/82
Fax: (60-87) 423 390

Great Eastern Life Assurance (Malaysia) Berhad
Head Office
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8888
Fax: (603) 4259 8000
www.greateasternlife.com

Great Eastern Life Assurance (Malaysia) Berhad has 21 operational branch offices in Malaysia.

Overseas Assurance Corporation (Malaysia) Berhad
Head Office
Level 18
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 7888
Fax: (603) 4813 2737
www.oac.com.my

Overseas Assurance Corporation (Malaysia) Berhad has 14 branches and six servicing offices in Malaysia.

Great Eastern Takaful Berhad
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 3 agency offices.

Pacific Mutual Fund Bhd
1001, Level 10 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: (603) 7725 9877
Fax: (603) 7725 9860
www.pacificmutual.com.my

OCBC Advisers (Malaysia) Sdn Bhd
13th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5696
Fax: (603) 2691 6616

Pac Lease Berhad
Level 12 & 13,
Menara Haw Par
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: (603) 2035 1000
Fax: (603) 2032 3300

OCBC Properties (Malaysia) Sdn Bhd
27th Floor, Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (603) 2054 3844
Fax: (603) 2031 7378

Myanmar

OCBC Bank Limited
Yangon Branch
Union Financial Center (UFC)
Unit 02-10
Corner of Mahabandoola Road
& Thein Phyu Road
45th Street,
Botataung Township
Yangon
Republic of Union of Myanmar
Tel : (951) 861 0388
Fax : (951) 861 0394

The Great Eastern Life Assurance Company Limited
Myanmar Representative Office
Level 3, Unit No 03-09
Union Business Centre
Nat Mauk Road
Bo Cho Quarter
Bahan Township
Yangon, Myanmar
Tel/Fax: (951) 860 3384
www.greateasternlife.com

Philippines

Bank of Singapore Limited
Philippine Representative Office
22/F Tower One and
Exchange Plaza
Ayala Triangle Ayala Avenue
1226 Makati City
Philippines
Tel: (632) 479 8988
Fax: (632) 848 5223

Thailand

OCBC Bank Limited
Bangkok Branch
Unit 2501-2 25th Floor
Q House Lumpini
1 South Sathorn Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel: (66) 2 287 9888
Fax: (66) 2 287 9898

Vietnam

OCBC Bank Limited
Ho Chi Minh Branch
Unit 708-709 Level 7
Saigon Tower
29 Le Duan Street
District 1
Ho Chi Minh City
Vietnam
Tel: (84) 8 3823 2627
Fax: (84) 8 3823 2611

East Asia

Japan

OCBC Bank Limited
Tokyo Branch
Sanno Park Tower
5th Floor 11-1
Nagata-cho 2 chome
Chiyoda-ku
Tokyo 100-6105
Japan
Tel: (81) 3 5510 7660
Fax: (81) 3 5510 7661

South Korea

OCBC Bank Limited
Seoul Branch
Taepyung-ro 1-ka
25th Floor
Seoul Finance Center
136 Sejong-daero
Jung-gu
Seoul 04520
Republic of Korea
Tel: (82) 2 2021 3900
Fax: (82) 2 2021 3908

Greater China

China

OCBC Wing Hang Bank (China) Limited
Head Office
OCBC Bank Tower
No. 1155 Yuanshen Road
Pudong New District
Shanghai 200135
People's Republic of China
Tel: (86) 21 5820 0200
Fax: (86) 21 6876 6793
www.ocbc.com.cn

Including its head office, OCBC Wing Hang China has 31 branches and sub-branches in 14 cities namely Beijing, Shanghai, Xiamen, Tianjin, Chengdu, Guangzhou, Shenzhen, Chongqing, Qingdao, Shaoxing, Suzhou, Zhuhai, Foshan,and Huizhou.

The Great Eastern Life Assurance Company Limited
Beijing Representative Office
No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A Beijing Xi Cheng District Beijing 100045
People's Republic of China
Tel: (86) 10 5856 5501
Fax: (86) 10 5856 5502

AVIC Trust Co. Ltd
Head Office
24-25/F AVIC Plaza
No. 1 North Ganjiang Avenue
Honggutan New Area
Nanchang
Jiangxi Province 330038
People's Republic of China
Tel: (86) 791 8666 7992
Fax: (86) 791 8677 2268
www.avictc.com

Other than its head office in Nanchang, AVIC Trust has 30 trust business teams and 14 regional wealth management centres in 17 cities including Beijing, Shanghai, Shenzhen, Guangzhou, Chongqing, Chengdu, Nanjing, Kunming, Qingdao, Zhenzhou, Hangzhou, Wuhan, Shenyang, Xiamen, Xi'an and Suzhou.

Bank of Ningbo Co., Ltd
Head Office
No. 700, South Ningnan Road
Ningbo Zhejiang 315100
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 2016, it had 314 branches, sub-branches and offices, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou, and Jiaxing.

Hong Kong SAR

OCBC Bank Limited
Hong Kong Branch
9/F Nine Queen's Road
Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

Bank of Singapore Limited
Hong Kong Branch
35/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong SAR
Tel: (852) 2846 3980
Fax: (852) 2295 3332

OCBC Wing Hang Bank Limited
Head Office
161 Queen's Road Central
Hong Kong SAR
Tel: (852) 2852 5111
Fax: (852) 2541 0036
www.ocbcwhhk.com

OCBC Wing Hang Bank Limited has a total of 42 branches serving Hong Kong, Kowloon and New Territories.

OCBC Wing Hang Credit Limited
Head Office
14/F Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong SAR
Tel: (852) 2251 0312
Fax: (852) 2191 5144
www.ocbcwhcr.com

OCBC Wing Hang Credit Limited has a total of 24 offices serving Hong Kong, Kowloon and New Territories

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
Suite 203 2nd Floor
205 Tun Hwa North Road
Bank Tower
Taipei 105 Taiwan
People's Republic of China
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

North America

United States of America

OCBC Bank Limited
Los Angeles Agency
801 South Figueroa Street
Suite 970
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

OCBC Bank Limited
New York Agency
1700 Broadway 18/F
New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

Europe

United Kingdom

OCBC Bank Limited
London Branch
The Rex Building 3rd Floor
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) 20 7653 0900
Fax: (44) 20 7489 1132

Bank of Singapore is the trading name of Oversea-Chinese Banking Corporation Limited's private banking business in London.

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

Middle East

United Arab Emirates

Bank of Singapore Limited (DIFC Branch)
Office 30-32, Level 28,
Central Park Tower,
Dubai International Financial Centre
P.O. Box 4296
Dubai U.A.E
Tel: (971) 4427 7100

Financial Calendar

February

14 February 2017	Announcement of full year results for 2016

April

28 April 2017	Annual General Meeting

May

May 2017	Announcement of first quarter results for 2017

June

5 June 2017	Payment of 2016 final dividend on ordinary shares (subject to shareholders' approval at AGM)
20 June 2017	Payment of semi-annual dividend on Class M preference shares (subject to approval by the Board)

July

July 2017	Announcement of second quarter results for 2017

August

August 2017	Payment of 2017 interim dividend on ordinary shares (subject to approval by the Board)

October

October 2017	Announcement of third quarter results for 2017

December

20 December 2017	Payment of semi-annual dividend on Class M preference shares (subject to approval by the Board)

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
Company Registration Number: 193200032W

NOTICE IS HEREBY GIVEN that the Eightieth 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 Friday, 28 April 2017 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 2016 and the report of the Auditors thereon.

2 To re-elect the following Directors retiring by rotation:

(a) Dr Lee Tih Shih
(b) Mr Quah Wee Ghee
(c) Mr Samuel N. Tsien
(d) Mr Wee Joo Yeow

3 To approve a final one-tier tax exempt dividend of 18 cents per ordinary share, in respect of the financial year ended 31 December 2016.

4 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2016 comprising the following:

(a) Directors' Fees of S$3,121,000 (2015: S$3,773,000).

(b) 6,000 ordinary shares of the Bank for each non-executive Director of the Bank who has served for the entire financial year ended 31 December 2016 (2015: 6,000 ordinary shares), pro-rated for each non-executive Director of the Bank who has served for less than the entire financial year ended 31 December 2016, based on the length of his/her service during that financial year, and for this purpose to pass the following Resolution with or without amendments as an Ordinary Resolution:

That:

(i) pursuant to Article 143 of the Constitution of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 55,098 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) Dr Cheong Choong Kong (or for the account of such depository agent as he may direct) in respect of 1,836 Remuneration Shares;

(3) Ms Christina Hon Kwee Fong (Christina Ong) (or for the account of such depository agent as she may direct) in respect of 5,262 Remuneration Shares;

(4) Mr Lai Teck Poh (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(5) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(6) Mr Quah Wee Ghee (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(7) Mr Pramukti Surjaudaja (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(8) Mr Tan Ngiap Joo (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;

(9) Dr Teh Kok Peng (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares; and

(10) Mr Wee Joo Yeow (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2016, 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 (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 (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 shall be based on the total number of issued ordinary shares of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

(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) offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme"), and allot and issue from time to time such number of ordinary shares of the Bank as may be required to be issued pursuant to the exercise of options under the 2001 Scheme; and/or

(II) grant rights to acquire ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"), and allot and issue from time to time such number of ordinary shares of the Bank as may be required to be issued pursuant to the exercise of rights to acquire ordinary shares under the Plan,

provided that the aggregate number of new ordinary shares to be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares of the Bank excluding treasury shares 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 any Ordinary Shares which are held as treasury shares as at that date); and

"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and

(ii) in the case of an off-market purchase of an Ordinary Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Ordinary Shares; and

(IV) the Directors of the Bank and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

PETER YEOH
Secretary

Singapore
6 April 2017

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 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 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 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 Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

(a) In relation to Resolution 2(a), there are no relationships (including immediate family relationships) between Dr Lee Tih Shih and the other Directors of the Bank.

(b) In relation to Resolution 2(b), there are no relationships (including immediate family relationships) between Mr Quah Wee Ghee and the other Directors of the Bank.

(c) In relation to Resolution 2(c), there are no relationships (including immediate family relationships) between Mr Samuel N. Tsien and the other Directors of the Bank.

(d) In relation to Resolution 2(d), there are no relationships (including immediate family relationships) between Mr Wee Joo Yeow and the other Directors of the Bank.

Please refer to the "Board Composition and Independence" section in the Corporate Governance Report on page 42 and the "Board of Directors" section on pages 13 and 15 respectively in the Annual Report 2016 for more information on these Directors (including information, if any, on the relationships between these Directors and the Bank or its 10% shareholders).

Ordinary Resolution 4(a)

Resolution 4(a) is to authorise the payment of S$3,121,000 as Directors' fees to the non-executive Directors of the Bank for the financial year ended 31 December 2016 ("FY 2016"). This is lower than the amount of S$3,773,000 paid for the financial year ended 31 December 2015 largely because of a revision to the Chairman's fee and also because there were fewer meetings held during the year. The fees include pro-rated fees payable to Dr Cheong Choong Kong. Dr Cheong ceased to be a Director of the Bank on 22 April 2016. Details of the Directors' fee structure can be found on page 50 of the Annual Report 2016.

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 2016.

A non-executive Director of the Bank will be eligible for an award of ordinary shares if he/she has served for the entire FY 2016, with the number of ordinary shares to be issued to a non-executive Director of the Bank who has served for less than the entire FY 2016 to be pro-rated accordingly, based on the length of his/her service during FY 2016.

The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2016 are Mr Ooi Sang Kuang, Dr Cheong Choong Kong, Ms Christina Hon Kwee Fong (Christina Ong), Mr Lai Teck Poh, Dr Lee Tih Shih, Mr Quah Wee Ghee, Mr Pramukti Surjaudaja, Mr Tan Ngiap Joo, Dr Teh Kok Peng and Mr Wee Joo Yeow.

It is proposed that, for FY 2016, 6,000 ordinary shares be issued to each non-executive Director named above (2015: 6,000 ordinary shares), save that 1,836 ordinary shares are proposed to be issued to Dr Cheong Choong Kong (who stepped down as a non-executive Director of the Bank on 22 April 2016) and 5,262 ordinary shares are proposed to be issued to Ms Christina Hon Kwee Fong (Christina Ong) (who was appointed as a non-executive Director of the Bank on 15 February 2016). 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 Singapore Exchange Securities Trading Limited (the "SGX-ST") has given in-principle approval for the listing and quotation of such new ordinary shares. Such approval is subject to (a) compliance with the SGX-ST's listing requirements, and (b) shareholders' approval for the issuance of such new ordinary shares in compliance with Listing Rule 804. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of such new ordinary shares, the Bank and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made in this explanatory note to Resolution 4(b).

The non-executive Directors (including Dr Cheong Choong Kong) who will each, subject to shareholders' approval, be awarded ordinary shares as part of their remuneration for FY 2016, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, Resolution 4(b).

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, 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 shall be based on the total number of issued ordinary shares of the Bank excluding treasury shares 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.

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) offer and grant options, and allot and issue ordinary shares, in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme"), and/or (ii) grant rights to acquire, and allot and issue, ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"). Although the Rules of the 2001 Scheme provide that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme shall not exceed 10 per cent. (10%) of the total number of issued ordinary shares of the Bank from time to time, and the Rules of the Plan provide that the aggregate number of new ordinary shares which may be issued pursuant to the Plan, when aggregated with the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme, shall not exceed 15 per cent. (15%) of the total number of issued ordinary shares of the Bank from time to time, Resolution 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 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 7 March 2017 (the "Latest Practicable Date"), the purchase by the Bank of 5% of its issued ordinary shares (disregarding the ordinary shares held in treasury) will result in the purchase or acquisition of 209,181,508 ordinary shares.

Assuming that the Bank purchases or acquires the 209,181,508 ordinary shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) (in the case of market purchases of ordinary shares) S$2,083.45 million based on S$9.96 for one ordinary share (being the price equivalent to 5% above the Average Closing Price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date); and

(b) (in the case of off-market purchases of ordinary shares) S$2,183.85 million based on S$10.44 for one ordinary share (being the price equivalent to 10% above the Average Closing Price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date).

The financial effects of the purchase or acquisition of such ordinary shares by the Bank pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016 based on these assumptions are set out in paragraph 2.7 of the Bank's Letter to Shareholders dated 6 April 2017 (the "Letter").

Please refer to the Letter for more details.

Statement Pursuant to Section 64A of the Companies Act, Chapter 50 of Singapore

Non-Cumulative Non-Convertible Class M Preference Shares

Except as provided below, the Class M Preference Shareholders shall not be entitled to vote at General Meetings of the Bank.

The Class M Preference Shareholders shall be entitled to attend class meetings of the Class M Preference Shareholders. Every Class M Preference Shareholder who is present in person at such class meetings shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
Company Registration Number: 193200032W

If dividends with respect to the Class M Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 months have not been paid in full when due, then the Class M Preference Shareholders shall have the right to receive notice of, attend, speak and vote at General Meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class M Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class M Preference Shareholders). Every Class M Preference Shareholder who is present in person at such General Meetings shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

Non-Cumulative Non-Convertible Class A to Class L Preference Shares

The voting rights of the Class A to Class L Preference Shares are set out in the Constitution of the Bank. No Class A to Class L Preference Shares are currently in issue.

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/Preference Shareholders
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 through their CPF/SRS funds and/or holders of non-cumulative non-convertible preference shares of the Bank. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

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 Friday, 28 April 2017 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 2016 and Auditors' report		
2(a)	Re-election of Dr Lee Tih Shih		
2(b)	Re-election of Mr Quah Wee Ghee		
2(c)	Re-election of Mr Samuel N. Tsien		
2(d)	Re-election of Mr Wee Joo Yeow		
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 grant options and/or rights to subscribe for ordinary shares, and allot and issue ordinary shares (OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan)		
8	Authority to allot and issue ordinary shares pursuant to OCBC Scrip Dividend Scheme		
9	Approval of renewal of Share Purchase Mandate		

Note: Voting will be conducted by poll.

Dated this ____________ day of ______________ 2017

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 (including any related attachment) appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 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
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Oversea-Chinese Banking Corporation Limited
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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Corporate Profile

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore and the Asia Pacific by The Asian Banker.

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

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 610 branches and representative offices in 18 countries and regions. These include the 340 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 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 Lai Teck Poh
Dr Lee Tih Shih
Ms Christina Ong
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja
Mr Tan Ngiap Joo
Dr Teh Kok Peng
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 Tan Ngiap Joo
Chairman

Mr Lai Teck Poh
Ms Christina Ong

Remuneration Committee
Mr Wee Joo Yeow
Chairman

Mr Ooi Sang Kuang
Mr Quah Wee Ghee
Mr Tan Ngiap Joo
Dr Teh Kok Peng

Risk Management Committee
Mr Lai Teck Poh
Chairman

Mr Ooi Sang Kuang
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja
Mr Samuel N. Tsien
Mr Wee Joo Yeow

Secretary
Mr Peter Yeoh

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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