



**OVERSEA-CHINESE BANKING CORPORATION LIMITED**  
*(Incorporated in Singapore. Registration Number: 193200032W)*  
**AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
*For the nine months ended 30 September 2016*

**OVERSEA-CHINESE BANKING CORPORATION LIMITED**  
*(Incorporated in Singapore. Registration Number: 193200032W)*  
**AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
*For the nine months ended 30 September 2016*

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## **Auditors' Review Report**

### **To the Directors of Oversea-Chinese Banking Corporation Limited**

#### ***Introduction***

We have reviewed the accompanying unaudited condensed interim financial statements of Oversea-Chinese Banking Corporation Limited (the "Bank") and its subsidiaries (the "Group"), which comprise the unaudited condensed balance sheet of the Group as at 30 September 2016, the unaudited condensed income statement, unaudited condensed statement of comprehensive income, unaudited condensed statement of changes in equity and unaudited condensed cash flow statement of the Group for the nine-month periods ended 30 September 2016 and 30 September 2015, and certain explanatory notes (the "Unaudited Condensed Interim Financial Statements"). We have audited the financial statements of the Group for the year ended 31 December 2015 in accordance with Singapore Standards on Auditing and have issued our report thereon on 16 February 2016. The balance sheet of the Group as at 31 December 2015, which has been presented for comparative purpose, is a component of those financial statements. Management is responsible for the preparation and presentation of these Unaudited Condensed Interim Financial Statements in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting*, 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. Our responsibility is to express a conclusion on these Unaudited Condensed Interim Financial Statements based on our review.

#### ***Scope of review***

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Unaudited Condensed Interim Financial Statements are not prepared, in all material respects, in accordance with FRS 34 *Interim Financial Reporting*, 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.



***Restriction on distribution and use***

Our report is provided in accordance with the terms of our engagement, for inclusion in the Bank's Offering Memorandum in connection with its US\$10,000,000,000 Global Covered Bond Programme, and is not intended for any other purpose. We do not assume responsibility to anyone other than the Bank for our work, for our report, or for the conclusions we have reached in our report.

*KPMG LLP*

**KPMG LLP**  
***Public Accountants and***  
***Chartered Accountants***

Singapore  
7 November 2016

**OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED INCOME STATEMENT - GROUP**

*For the nine months ended 30 September 2016*

	Note	GROUP	
		9M 2016 \$'000	9M 2015 \$'000
Interest income		6,309,091	6,343,380
Interest expense		(2,508,000)	(2,495,130)
<b>Net interest income</b>	3	<b>3,801,091</b>	<b>3,848,250</b>
Premium income		6,494,015	5,521,464
Investment income		1,672,270	1,560,998
Net claims, surrenders and annuities		(3,612,069)	(3,678,897)
Change in life assurance fund contract liabilities		(3,195,023)	(2,089,897)
Commission and others		(1,003,922)	(920,415)
Profit from life assurance		355,271	393,253
Premium income from general insurance		112,520	115,310
Fees and commissions (net)	4	1,218,647	1,240,664
Dividends		83,084	71,189
Rental income		68,238	77,271
Other income	5	673,450	675,053
<b>Non-interest income</b>		<b>2,511,210</b>	<b>2,572,740</b>
<b>Total income</b>		<b>6,312,301</b>	<b>6,420,990</b>
Staff costs		(1,761,508)	(1,674,591)
Other operating expenses	6	(1,046,184)	(1,016,042)
<b>Total operating expenses</b>		<b>(2,807,692)</b>	<b>(2,690,633)</b>
<b>Operating profit before allowances and amortisation</b>		<b>3,504,609</b>	<b>3,730,357</b>
Amortisation of intangible assets		(71,846)	(72,927)
Allowances for loans and impairment of other assets	7	(421,117)	(294,480)
<b>Operating profit after allowances and amortisation</b>		<b>3,011,646</b>	<b>3,362,950</b>
Share of results of associates		314,282	289,149
<b>Profit before income tax</b>		<b>3,325,928</b>	<b>3,652,099</b>
Income tax expense		(514,513)	(556,020)
<b>Profit for the financial period</b>		<b>2,811,415</b>	<b>3,096,079</b>
<b>Attributable to:</b>			
Equity holders of the Bank		2,683,979	2,943,344
Non-controlling interests		127,436	152,735
		<b>2,811,415</b>	<b>3,096,079</b>
<b>Earnings per share (cents)</b>			
Basic		63.9	72.7
Diluted		63.8	72.6

*The accompanying notes form an integral part of these unaudited condensed interim financial statements.*

**OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME - GROUP**

*For the nine months ended 30 September 2016*

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the financial period</b>	<b>2,811,415</b>	3,096,079
<b>Other comprehensive income:</b>		
Available-for-sale financial assets		
Gains/(losses) for the financial period	<b>420,932</b>	(176,683)
Reclassification of (gains)/losses to income statement		
- on disposal	<b>(143,707)</b>	(196,743)
- on impairment	<b>29,411</b>	35,466
Tax on net movements	<b>(39,529)</b>	38,629
Defined benefit plans remeasurements <sup>(1)</sup>	<b>427</b>	3,836
Exchange differences on translating foreign operations	<b>(87,621)</b>	(191,832)
Other comprehensive income of associates	<b>(105,979)</b>	107,449
<b>Total other comprehensive income, net of tax</b>	<b>73,934</b>	(379,878)
<b>Total comprehensive income for the financial period, net of tax</b>	<b>2,885,349</b>	2,716,201
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	<b>2,730,663</b>	2,621,608
Non-controlling interests	<b>154,686</b>	94,593
	<b>2,885,349</b>	2,716,201

<sup>(1)</sup> Item that will not be reclassified to income statement.

*The accompanying notes form an integral part of these unaudited condensed interim financial statements.*

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED BALANCE SHEET - GROUP

As at 30 September 2016

	Note	GROUP	
		30 September 2016 \$'000	31 December 2015 \$'000
<b>EQUITY</b>			
<b>Attributable to equity holders of the Bank</b>			
Share capital	9.1	15,100,941	14,560,367
Other equity instruments	9.2	499,143	499,143
Capital reserves		513,452	526,910
Fair value reserves		510,393	234,357
Revenue reserves		19,650,601	18,732,172
		<u>36,274,530</u>	<u>34,552,949</u>
<b>Non-controlling interests</b>		<b>2,594,305</b>	<b>2,557,862</b>
<b>Total equity</b>		<b><u>38,868,835</u></b>	<b><u>37,110,811</u></b>
<b>LIABILITIES</b>			
Deposits of non-bank customers	10	247,318,402	246,277,331
Deposits and balances of banks	10	11,215,167	12,046,711
Due to associates		286,179	334,208
Trading portfolio liabilities		803,673	644,685
Derivative payables	11	5,956,999	6,068,545
Other liabilities		5,252,526	4,906,519
Current tax		938,759	1,000,423
Deferred tax		1,380,438	1,327,355
Debt issued	12	20,222,259	23,479,029
		<u>293,374,402</u>	<u>296,084,806</u>
Life assurance fund liabilities		61,947,059	56,994,024
<b>Total liabilities</b>		<b><u>355,321,461</u></b>	<b><u>353,078,830</u></b>
<b>Total equity and liabilities</b>		<b><u>394,190,296</u></b>	<b><u>390,189,641</u></b>
<b>ASSETS</b>			
Cash and placements with central banks		15,655,323	21,179,896
Singapore government treasury bills and securities		8,407,531	8,635,493
Other government treasury bills and securities		16,408,886	12,366,061
Placements with and loans to banks		39,024,528	35,790,761
Loans and bills receivable	13-15	205,564,189	208,218,258
Debt and equity securities		22,964,732	22,786,463
Assets pledged		1,918,761	1,451,885
Assets held for sale		32,250	5,605
Derivative receivables	11	5,497,864	6,247,638
Other assets		4,727,229	4,341,383
Deferred tax		147,538	135,371
Associates		2,354,326	2,248,367
Property, plant and equipment		3,345,766	3,466,926
Investment property		1,132,388	1,137,861
Goodwill and intangible assets		5,052,947	5,195,231
		<u>332,234,258</u>	<u>333,207,199</u>
Life assurance fund investment assets		61,956,038	56,982,442
<b>Total assets</b>		<b><u>394,190,296</u></b>	<b><u>390,189,641</u></b>

The accompanying notes form an integral part of these unaudited interim condensed financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY - GROUP

For the nine months ended 30 September 2016

In \$'000	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2016</b>	<b>15,059,510</b>	<b>526,910</b>	<b>234,357</b>	<b>18,732,172</b>	<b>34,552,949</b>	<b>2,557,862</b>	<b>37,110,811</b>
<b>Total comprehensive income for the financial period</b>							
<b>Profit for the financial period</b>	–	–	–	2,683,979	2,683,979	127,436	2,811,415
<b>Other comprehensive income</b>							
Available-for-sale financial assets							
Gains for the financial period	–	–	403,664	–	403,664	17,268	420,932
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(141,580)	–	(141,580)	(2,127)	(143,707)
- on impairment	–	–	27,822	–	27,822	1,589	29,411
Tax on net movements	–	–	(36,267)	–	(36,267)	(3,262)	(39,529)
Defined benefit plans remeasurements	–	–	–	387	387	40	427
Exchange differences on translating foreign operations	–	–	–	(101,350)	(101,350)	13,729	(87,621)
Other comprehensive income of associates	–	–	22,397	(128,389)	(105,992)	13	(105,979)
<b>Total other comprehensive income, net of tax</b>	–	–	<b>276,036</b>	<b>(229,352)</b>	<b>46,684</b>	<b>27,250</b>	<b>73,934</b>
<b>Total comprehensive income for the financial period</b>	–	–	<b>276,036</b>	<b>2,454,627</b>	<b>2,730,663</b>	<b>154,686</b>	<b>2,885,349</b>
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Transfers	–	3,442	–	(3,442)	–	–	–
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	–	–	–	5,628	5,628	–	5,628
Ordinary and preference dividends	–	–	–	(929,843)	(929,843)	–	(929,843)
Share-based staff costs capitalised	–	10,793	–	–	10,793	–	10,793
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	–	(5,631)	–	–	(5,631)	–	(5,631)
Shares vested under DSP Scheme	–	42,709	–	–	42,709	–	42,709
Treasury shares transferred/sold	73,230	(64,771)	–	–	8,459	–	8,459
<b>Total contributions by and distributions to owners</b>	<b>540,574</b>	<b>(13,458)</b>	–	<b>(1,530,763)</b>	<b>(1,003,647)</b>	<b>(108,926)</b>	<b>(1,112,573)</b>
<b>Changes in ownership interests in subsidiaries that do not result in loss of control</b>							
Changes in non-controlling interests	–	–	–	(5,435)	(5,435)	(9,317)	(14,752)
<b>Total changes in ownership interests in subsidiaries</b>	–	–	–	<b>(5,435)</b>	<b>(5,435)</b>	<b>(9,317)</b>	<b>(14,752)</b>
<b>Balance at 30 September 2016</b>	<b>15,600,084</b>	<b>513,452</b>	<b>510,393</b>	<b>19,650,601</b>	<b>36,274,530</b>	<b>2,594,305</b>	<b>38,868,835</b>
Included:							
Share of reserves of associates	–	–	94,336	684,410	778,746	(406)	778,340

The accompanying notes form an integral part of these unaudited condensed interim financial statements.



OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY - GROUP

For the nine months ended 30 September 2016

In \$'000	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2015</b>	13,752,110	517,563	366,017	16,461,106	31,096,796	3,088,643	34,185,439
<b>Total comprehensive income for the financial period</b>							
<b>Profit for the financial period</b>	-	-	-	2,943,344	2,943,344	152,735	3,096,079
<b>Other comprehensive income</b>							
Available-for-sale financial assets							
Losses for the financial period	-	-	(171,510)	-	(171,510)	(5,173)	(176,683)
Reclassification of (gains)/losses to income statement							
- on disposal	-	-	(178,080)	-	(178,080)	(18,663)	(196,743)
- on impairment	-	-	33,630	-	33,630	1,836	35,466
Tax on net movements	-	-	34,392	-	34,392	4,237	38,629
Defined benefit plans remeasurements	-	-	-	3,264	3,264	572	3,836
Exchange differences on translating foreign operations	-	-	-	(150,745)	(150,745)	(41,087)	(191,832)
Other comprehensive income of associates	-	-	(13,103)	120,416	107,313	136	107,449
<b>Total other comprehensive income, net of tax</b>	-	-	(294,671)	(27,065)	(321,736)	(58,142)	(379,878)
<b>Total comprehensive income for the financial period</b>	-	-	(294,671)	2,916,279	2,621,608	94,593	2,716,201
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Transfers	-	22,213	-	(22,213)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	(124,053)	(124,053)
DSP reserve from dividends on unvested shares	-	-	-	3,894	3,894	-	3,894
Ordinary and preference dividends	-	-	-	(304,362)	(304,362)	-	(304,362)
Perpetual capital securities issued	499,143	-	-	-	499,143	-	499,143
Redemption of preference shares issued by subsidiaries	-	-	-	-	-	(543,814)	(543,814)
Share-based staff costs capitalised	-	9,015	-	-	9,015	-	9,015
Share buyback held in treasury	(98,376)	-	-	-	(98,376)	-	(98,376)
Shares issued in-lieu of ordinary dividends	1,170,657	-	-	(1,170,657)	-	-	-
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	-	38,541	-	-	38,541	-	38,541
Treasury shares transferred/sold	128,122	(52,013)	-	-	76,109	-	76,109
<b>Total contributions by and distributions to owners</b>	1,700,283	13,339	-	(1,493,338)	220,284	(667,867)	(447,583)
<b>Balance at 30 September 2015</b>	15,452,393	530,902	71,346	17,884,047	33,938,688	2,515,369	36,454,057
Included:							
Share of reserves of associates	-	-	15,735	601,726	617,461	(3,417)	614,044

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

**OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED CASH FLOW STATEMENT - GROUP**

*For the nine months ended 30 September 2016*

<b>In \$'000</b>	<b>9M 2016</b>	<b>9M 2015</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	3,325,928	3,652,099
Adjustments for non-cash items:		
Allowances for loans and impairment of other assets	421,117	294,480
Amortisation of intangible assets	71,846	72,927
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	(33,300)	(1,230)
Depreciation of property, plant and equipment and investment property	227,154	216,459
Net gain on disposal of government, debt and equity securities	(143,707)	(196,755)
Net gain on disposal of property, plant and equipment and investment property	(77,847)	(23,635)
Net loss on disposal of interests in subsidiaries	18,478	–
Share-based costs	10,795	8,772
Share of results of associates	(314,282)	(289,149)
Items relating to life assurance fund		
Surplus before income tax	424,844	505,825
Surplus transferred from life assurance fund	(355,271)	(393,253)
Operating profit before change in operating assets and liabilities	3,575,755	3,846,540
Change in operating assets and liabilities:		
Deposits of non-bank customers	993,042	6,392,931
Deposits and balances of banks	(831,544)	(4,401,977)
Derivative payables and other liabilities	163,814	1,530,255
Trading portfolio liabilities	158,988	(74,800)
Restricted balances with central banks	44,414	1,306,794
Government securities and treasury bills	(3,867,614)	496,044
Trading and fair value through profit and loss securities	106,587	(203,488)
Placements with and loans to banks	(3,482,305)	982,835
Loans and bills receivable	1,814,909	(3,019,241)
Derivative receivables and other assets	786,365	(1,911,812)
Net change in investment assets and liabilities of life assurance fund	(57,902)	120,069
Cash (used in)/from operating activities	(595,491)	5,064,150
Income tax paid	(565,851)	(468,307)
<b>Net cash (used in)/from operating activities</b>	<b>(1,161,342)</b>	<b>4,595,843</b>
<b>Cash flows from investing activities</b>		
Dividends from associates	96,884	65,872
Decrease/(increase) in associates	135,023	(109,686)
Purchases of debt and equity securities	(9,332,935)	(9,035,482)
Purchases of property, plant and equipment and investment property	(279,113)	(198,300)
Proceeds from disposal of debt and equity securities	9,475,282	9,382,989
Proceeds from disposal of interests in a subsidiary	23,563	–
Proceeds from disposal of property, plant and equipment and investment property	87,229	42,175
<b>Net cash from investing activities</b>	<b>205,933</b>	<b>147,568</b>
<b>Cash flows from financing activities</b>		
Changes in non-controlling interests	(14,752)	–
Distribution for perpetual securities	(19,052)	–
Dividends paid to non-controlling interests	(108,926)	(124,053)
Dividends paid to equity holders of the Bank (Note 8)	(929,843)	(304,362)
Decrease in other debt issued	(3,163,169)	(4,710,539)
Net proceeds from issue of perpetual capital securities	–	499,143
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	8,459	76,109
Redemption of preference shares issued by subsidiaries	–	(543,814)
Share buyback held in treasury	(117,245)	(98,376)
<b>Net cash used in financing activities</b>	<b>(4,344,528)</b>	<b>(5,205,892)</b>
<b>Net currency translation adjustments</b>	<b>(180,222)</b>	<b>(173,608)</b>
<b>Net change in cash and cash equivalents</b>	<b>(5,480,159)</b>	<b>(636,089)</b>
Cash and cash equivalents at 1 January	15,900,898	19,324,013
<b>Cash and cash equivalents at 30 September</b>	<b>10,420,739</b>	<b>18,687,924</b>

*The accompanying notes form an integral part of these unaudited condensed interim financial statements.*

# OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

*For the nine months ended 30 September 2016*

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These notes form an integral part of the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were authorised by the Board of Directors on 7 November 2016.

### 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 unaudited condensed interim 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. Basis of preparation

#### 2.1 Statement of compliance

The unaudited condensed interim financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) 34 *Interim Financial Reporting*, 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”), and do not include all of the information required for full annual financial statements. These unaudited condensed interim financial statements are to be read in conjunction with the financial statements as at and for the year ended 31 December 2015.

#### 2.2 Basis of presentation

The unaudited condensed interim financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The unaudited condensed interim financial statements have been prepared under the historical cost convention, except as disclosed in the financial statements as at and for the year ended 31 December 2015.

#### 2.3 Use of estimates and judgements

The preparation of unaudited condensed interim 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.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied in the financial statements as at and for the year ended 31 December 2015.

**OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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**2. Basis of preparation (continued)**

**2.4 Significant accounting policies**

The following revised financial reporting standards and interpretations were applied with effect from 1 January 2016:

<b>FRS</b>	<b>Title</b>
FRS 1 (Amendments)	<i>Disclosure Initiative</i>
FRS 16 and FRS 38 (Amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
FRS 27 (Amendments)	<i>Equity Method in Separate Financial Statements</i>
FRS 110, FRS 112 and FRS 28 (Amendments)	<i>Investment Entities: Applying the Consolidation Exception</i>
FRS 111 (Amendments)	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Various	<i>Improvements to FRSs (November 2014)</i>

The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

Except as described above, the accounting policies applied by the Group in the unaudited condensed interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2015.

There are a number of new/revised financial reporting standards in issue but not yet effective. They are not expected to have a material impact on the Group's financial statements when adopted except for FRS 109: *Financial Instruments*. FRS 109 is effective from 1 January 2018.

**3. Net interest income**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Interest income</b>		
Loans to non-bank customers	<b>4,918,780</b>	4,820,071
Placements with and loans to banks	<b>586,289</b>	655,961
Other interest-earning assets	<b>804,022</b>	867,348
	<b><u>6,309,091</u></b>	<u>6,343,380</u>
<b>Interest expense</b>		
Deposits of non-bank customers	<b>(2,066,561)</b>	(2,076,086)
Deposits and balances of banks	<b>(94,573)</b>	(98,153)
Other borrowings	<b>(346,866)</b>	(320,891)
	<b><u>(2,508,000)</u></b>	<u>(2,495,130)</u>
<b>Net interest income</b>	<b><u>3,801,091</u></b>	<u>3,848,250</u>

**4. Fees and commissions (net)**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Fee and commission income <sup>(1)</sup>	<b>1,265,157</b>	1,287,428
Fee and commission expense <sup>(1)</sup>	<b>(46,510)</b>	(46,764)
<b>Fees and commissions (net)</b>	<b><u>1,218,647</u></b>	<u>1,240,664</u>

<sup>(1)</sup> Comparatives have been restated to conform to current period's presentation.

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**5. Other income**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Net trading income	<b>407,008</b>	389,009
Net gain from investment securities	<b>143,707</b>	196,755
Net gain from disposal of properties	<b>79,194</b>	24,866
Net loss from disposal of interests in subsidiaries	<b>(18,478)</b>	–
Others	<b>62,019</b>	64,423
<b>Total other income</b>	<b>673,450</b>	<b>675,053</b>

**6. Other operating expenses**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment:		
Depreciation	<b>227,154</b>	216,459
Maintenance and hire	<b>87,268</b>	80,792
Rental expenses	<b>73,677</b>	72,710
Others	<b>170,410</b>	161,060
	<b>558,509</b>	531,021
Other operating expenses	<b>487,675</b>	485,021
<b>Total other operating expenses</b>	<b>1,046,184</b>	<b>1,016,042</b>

**7. Allowances for loans and impairment of other assets**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Specific allowances for loans	<b>249,665</b>	156,171
Portfolio allowances for loans	<b>127,992</b>	102,518
Impairment charge for investment securities	<b>45,843</b>	35,466
(Write-back)/impairment charge for other assets	<b>(2,383)</b>	325
<b>Net allowances and impairment</b>	<b>421,117</b>	<b>294,480</b>

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**8. Distributions/dividends paid**

	<b>GROUP</b>	
	<b>9M 2016</b>	<b>9M 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary dividends:		
2014 final tax exempt dividend of 18 cents	–	717,586
2015 interim tax exempt dividend of 18 cents	–	729,198
2015 final tax exempt dividend of 18 cents	<b>741,004</b>	–
2016 interim tax exempt dividend of 18 cents	<b>752,838</b>	–
Preference dividends:		
Class G 4.2% tax exempt (2015: 4.2% tax exempt)	–	8,290
Class M 4.0% tax exempt (2015: 4.0% tax exempt)	<b>20,055</b>	19,945
Distributions for other equity instruments:		
3.80% perpetual capital securities	<b>19,052</b>	–
	<b><u>1,532,949</u></b>	<b><u>1,475,019</u></b>

Cash which was paid on 18 August 2016 in respect of the 2016 interim tax exempt dividend of 18 cents amounted to \$752.8 million.

Cash which was paid on 14 June 2016 in respect of the 2015 final tax exempt dividend of 18 cents amounted to \$156.9 million. 72.1 million ordinary shares were issued on 14 June 2016 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the remaining balance of \$584.1 million (Note 9).

Cash which was paid on 29 September 2015 in respect of the 2015 interim tax exempt dividend of 18 cents amounted to \$152.0 million. 66.4 million ordinary shares were issued on 29 September 2015 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the remaining balance of \$577.2 million.

Cash which was paid on 24 June 2015 in respect of the 2014 final tax exempt dividend of 18 cents amounted to \$124.1 million. 62.2 million ordinary shares were issued on 24 June 2015 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the remaining balance of \$593.5 million.

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**9. Share capital and other equity**

**9.1 Share capital**

<b>GROUP</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Shares ('000)</b>	<b>Shares ('000)</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Ordinary shares</b>				
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 (Note 8)	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	–	–	–	9,126
At 30 September 2016/31 December 2015	<u>4,193,729</u>	<u>4,121,561</u>	<u>14,388,238</u>	<u>13,803,649</u>
<b>Treasury shares</b>				
At 1 January	(6,086)	(9,043)	(243,282)	(262,893)
Share buyback	(13,614)	(11,750)	(117,245)	(117,496)
Share Option Schemes	1,236	4,176	8,217	29,692
Share Purchase Plan	26	5,743	242	55,305
Treasury shares transferred to DSP Trust	7,155	4,788	64,771	52,110
At 30 September 2016/31 December 2015	<u>(11,283)</u>	<u>(6,086)</u>	<u>(287,297)</u>	<u>(243,282)</u>
<b>Preference shares</b>				
At 1 January:				
Class G	–	395,831	–	395,831
Class M	1,000,000	1,000,000	1,000,000	1,000,000
			<u>1,000,000</u>	<u>1,395,831</u>
Class G shares redeemed during the period	–	(395,831)	–	(395,831)
At 30 September 2016/31 December 2015			<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued share capital, at 30 September 2016/31 December 2015</b>			<u><b>15,100,941</b></u>	<u><b>14,560,367</b></u>

**9.2 Other equity instruments**

	<b>GROUP</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
SGD500 million 3.80% non-cumulative non-convertible perpetual capital securities	<u>499,143</u>	<u>499,143</u>

**10. Deposits and balances of non-bank customers and banks**

	<b>GROUP</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deposits of non-bank customers</b>		
Current accounts	78,332,849	77,297,408
Savings deposits	45,879,535	43,099,363
Term deposits	101,753,930	101,133,221
Structured deposits	5,766,317	5,241,936
Certificate of deposits issued	13,375,838	13,655,489
Other deposits	2,209,933	5,849,914
	<u>247,318,402</u>	<u>246,277,331</u>
<b>Deposits and balances of banks</b>	<u>11,215,167</u>	<u>12,046,711</u>
	<u><b>258,533,569</b></u>	<u><b>258,324,042</b></u>

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**11. Derivative financial instruments**

The derivative financial instruments shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at balance sheet date are analysed below.

	30 September 2016			31 December 2015		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
<b>GROUP (\$'000)</b>						
Foreign exchange derivatives	295,023,813	2,585,746	3,103,733	305,454,050	3,988,689	3,806,200
Interest rate derivatives	336,878,135	2,761,142	2,713,377	305,032,292	1,950,541	1,972,638
Equity derivatives	2,764,668	41,850	32,925	3,313,012	112,385	102,133
Credit derivatives	16,058,568	87,179	85,132	20,661,538	165,006	157,045
Other derivatives	1,321,878	21,947	21,832	1,116,675	31,017	30,529
<b>Total</b>	<b>652,047,062</b>	<b>5,497,864</b>	<b>5,956,999</b>	<b>635,577,567</b>	<b>6,247,638</b>	<b>6,068,545</b>

**12. Debt issued**

	GROUP	
	30 September 2016 \$'000	31 December 2015 \$'000
Subordinated debt (unsecured) [Note 12.1]	6,386,265	6,479,866
Fixed and floating rate notes (unsecured) [Note 12.2]	3,831,438	4,856,615
Commercial papers (unsecured) [Note 12.3]	8,547,486	10,879,247
Structured notes (unsecured) [Note 12.4]	1,457,070	1,263,301
	<b>20,222,259</b>	<b>23,479,029</b>

**12.1 Subordinated debt (unsecured)**

- (a) During the nine months ended 30 September 2016, there was no subordinated debt issued or redeemed.
- (b) Details of other subordinated debts can be found in the financial statements as at and for the year ended 31 December 2015.



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12. Debt issued (continued)

12.2 Fixed and floating rate notes (unsecured)

	Issue date	Maturity date	GROUP	
			30 September 2016 \$'000	31 December 2015 \$'000
<b>Issued by the Bank:</b>				
AUD400 million floating rate notes	22 Aug 2013 – 5 Sep 2013	22 Aug 2016	–	412,846
AUD500 million floating rate notes	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	519,207	516,159
AUD300 million floating rate notes	6 Mar 2015	6 Jun 2019	311,320	309,521
AUD500 million floating rate notes	12 Nov 2015 – 2 Dec 2015	12 Nov 2018	518,991	516,008
AUD300 million floating rate notes	17 Mar 2016	17 Mar 2020	311,345	–
CNY500 million 3.50% fixed rate notes	5 Feb 2013	5 Feb 2020	102,228	107,334
CNY200 million 2.70% fixed rate notes	5 Jun 2014	5 Jun 2017	40,889	42,930
GBP250 million floating rate notes	15 May 2014	15 May 2017	442,749	524,103
HKD1 billion 2.20% fixed rate notes	19 Jan 2012	19 Jan 2017	176,459	182,981
HKD1.35 billion 1.67% fixed rate notes	24 Sep 2014	15 Sep 2017	239,103	247,860
USD450 million floating rate notes	21 Nov 2013 – 2 May 2014	21 Nov 2016 – 2 May 2017	614,716	636,039
USD450 million floating rate notes	22 Aug 2013 – 29 Jun 2015	9 Jan 2016 – 22 Aug 2016	–	636,073
USD100 million 1.52% fixed rate notes	11 Dec 2014	11 Dec 2017	136,953	141,342
			<b>3,413,960</b>	<b>4,273,196</b>
<b>Issued by PT Bank OCBC NISP Tbk (“OCBC NISP”):</b>				
IDR1,498 billion 7.40% fixed rate notes	19 Feb 2013	19 Feb 2016	–	154,264
IDR900 billion 7.00% fixed rate notes	18 Apr 2013	18 Apr 2016	–	92,582
IDR1,095 billion 9.00% fixed rate bonds	10 Feb 2015	20 Feb 2016	–	112,739
IDR670 billion 9.40% fixed rate bonds	10 Feb 2015	10 Feb 2017	70,310	68,894
IDR1,235 billion 9.80% fixed rate bonds	10 Feb 2015	10 Feb 2018	129,491	126,935
IDR837 billion 7.50% fixed rate bonds	11 May 2016	21 May 2017	87,683	–
IDR380 billion 8.00% fixed rate bonds	11 May 2016	11 May 2018	39,782	–
IDR783 billion 8.25% fixed rate bonds	11 May 2016	11 May 2019	81,951	–
			<b>409,217</b>	<b>555,414</b>
<b>Issued by Pac Lease Berhad:</b>				
MYR60 million 4.30% fixed rate notes	18 Jul 2014	18 Jan 2016	–	19,768
MYR10 million 4.50% fixed rate notes	7 Oct 2015	7 Apr 2017	3,304	3,295
MYR15 million 4.60% fixed rate notes	7 Oct 2015	7 Apr 2017	4,957	4,942
			<b>8,261</b>	<b>28,005</b>
<b>Total fixed and floating rate notes</b>			<b>3,831,438</b>	<b>4,856,615</b>

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**12. Debt issued (continued)**

**12.3 Commercial papers (unsecured)**

	Note	GROUP	
		30 September 2016 \$'000	31 December 2015 \$'000
Issued by the Bank	(a)	<b>8,660,948</b>	11,385,973
Commercial papers held by a subsidiary		<b>(204,867)</b>	(578,976)
		<b>8,456,081</b>	10,806,997
Issued by Pac Lease Berhad	(b)	<b>91,405</b>	72,250
<b>Net commercial papers issued</b>		<b>8,547,486</b>	10,879,247

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding as at 30 September 2016 were issued between 13 April 2016 (2015: 9 July 2015) and 28 September 2016 (2015: 29 December 2015), and mature between 7 October 2016 (2015: 5 January 2016) and 13 March 2017 (2015: 27 May 2016), yielding between 0.25% and 1.75% (2015: 0.28% and 0.70%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 30 September 2016 were issued between 5 September 2016 (2015: 4 December 2015) and 29 September 2016 (2015: 29 December 2015), and mature between 5 October 2016 (2015: 4 January 2016) and 28 October 2016 (2015: 22 February 2016), with interest rate ranging from 3.65% to 3.70% (2015: 4.05% to 4.30%).

**12.4 Structured notes (unsecured)**

Issued by the Bank:	Issue date	Maturity date	GROUP	
			30 September 2016 \$'000	31 December 2015 \$'000
Credit linked notes	17 Feb 2012 – 21 Sep 2016	15 Dec 2016 – 8 Sep 2025	<b>1,229,074</b>	1,054,444
Fixed rate notes	25 Jul 2012 – 3 Dec 2013	25 Jul 2017 – 3 Dec 2038	<b>182,967</b>	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
Bond linked notes	24 Jun 2016 – 24 Aug 2016	8 May 2018 – 18 Jul 2019	<b>16,638</b>	–
Equity linked notes	5 Jul 2016 – 29 Sep 2016	7 Oct 2016 – 1 Aug 2017	<b>22,117</b>	7,823
Fund linked notes	27 Jul 2016	27 Jul 2017	<b>6,274</b>	–
			<b>1,457,070</b>	1,263,301

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes. These notes were carried at amortised cost, except for \$938.0 million (2015: \$912.0 million) included under credit linked notes and \$16.6 million (2015: Nil) included under bond linked notes, 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 11 to the financial statements. This accounting treatment is also in line with the Group's accounting policy for derivatives.

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**13. Loans and bills receivable**

	<b>GROUP</b>	
	<b>30 September 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
Gross loans	208,627,981	210,664,820
Specific allowances (Note 14)	(408,791)	(359,993)
Portfolio allowances (Note 15)	(2,170,201)	(2,059,533)
<b>Net loans</b>	<b>206,048,989</b>	<b>208,245,294</b>
Assets pledged	(484,800)	(27,036)
	<b>205,564,189</b>	<b>208,218,258</b>
Bills receivable	5,846,615	8,564,895
Loans	200,202,374	199,680,399
<b>Net loans</b>	<b>206,048,989</b>	<b>208,245,294</b>

**14. Specific allowances**

	<b>GROUP</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At 1 January	359,993	331,853
Currency translation	(4,379)	(16,660)
Bad debts written off	(189,187)	(176,887)
Recovery of amounts previously provided for	(42,703)	(53,446)
Allowances for loans	292,368	285,368
Net allowances charged to income statement	249,665	231,922
Interest recognition on impaired loans	(11,040)	(6,736)
Transfer from/(to) other assets	3,739	(3,499)
At 30 September 2016/31 December 2015 (Note 13)	<b>408,791</b>	<b>359,993</b>

**15. Portfolio allowances**

	<b>GROUP</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At 1 January	2,059,533	1,896,773
Currency translation	(17,324)	(13,870)
Allowances charged to income statement	127,992	176,630
At 30 September 2016/31 December 2015 (Note 13)	<b>2,170,201</b>	<b>2,059,533</b>

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16. Segment information

16.1 Business segments

\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment/ Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
<b>Nine months ended 30 September 2016</b>							
<b>Total income</b>	<b>2,099</b>	<b>2,323</b>	<b>555</b>	<b>657</b>	<b>653</b>	<b>25</b>	<b>6,312</b>
Operating profit before allowances and amortisation	893	1,562	356	295	489	(90)	3,505
Amortisation of intangible assets	(6)	–	–	(31)	(35)	–	(72)
(Allowances and impairment)/writeback for loans and other assets	(79)	(187)	4	(8)	(13)	(138)	(421)
<b>Operating profit after allowances and amortisation</b>	<b>808</b>	<b>1,375</b>	<b>360</b>	<b>256</b>	<b>441</b>	<b>(228)</b>	<b>3,012</b>
<b>At 30 September 2016</b>							
Segment assets	91,957	109,724	71,575	46,776	71,815	18,443	410,290
Unallocated assets							920
Elimination							(17,020)
<b>Total assets</b>							<b>394,190</b>
Segment liabilities	104,613	104,298	43,650	38,970	62,914	15,577	370,022
Unallocated liabilities							2,319
Elimination							(17,020)
<b>Total liabilities</b>							<b>355,321</b>
<b>Nine months ended 30 September 2015</b>							
<b>Total income</b>	<b>1,962</b>	<b>2,330</b>	<b>676</b>	<b>638</b>	<b>835</b>	<b>(20)</b>	<b>6,421</b>
Operating profit before allowances and amortisation	805	1,577	481	313	674	(120)	3,730
Amortisation of intangible assets	(7)	–	–	(31)	(35)	–	(73)
Allowances and impairment for loans and other assets	(76)	(152)	(3)	(12)	(15)	(36)	(294)
<b>Operating profit after allowances and amortisation</b>	<b>722</b>	<b>1,425</b>	<b>478</b>	<b>270</b>	<b>624</b>	<b>(156)</b>	<b>3,363</b>
<b>At 31 December 2015</b>							
Segment assets	83,185	115,267	69,800	42,663	66,652	27,295	404,862
Unallocated assets							775
Elimination							(15,447)
<b>Total assets</b>							<b>390,190</b>
Segment liabilities	96,068	107,917	42,605	35,047	57,992	26,569	366,198
Unallocated liabilities							2,328
Elimination							(15,447)
<b>Total liabilities</b>							<b>353,079</b>

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#### 16. Segment information (continued)

##### 16.1 Business segments (continued)

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/Private 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.

##### **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 mainly property holding, investment holding and items not attributable to the business segments described above. It also includes the offset of ex-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.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended 30 September 2016

16. Segment information (continued)

16.2 Geographical segments

\$ million	Total income	Profit before income tax
<b>Nine months ended 30 September 2016</b>		
Singapore	3,647	1,691
Malaysia	973	606
Indonesia	542	196
Greater China	938	716
Other Asia Pacific	106	66
Rest of the World	106	51
	<b>6,312</b>	<b>3,326</b>
<b>Nine months ended 30 September 2015</b>		
Singapore	3,751	2,006
Malaysia	1,045	616
Indonesia	394	142
Greater China	1,006	741
Other Asia Pacific	115	74
Rest of the World	110	73
	<b>6,421</b>	<b>3,652</b>

\$ million	Total assets	
	30 September 2016	31 December 2015
Singapore	222,535	214,358
Malaysia	61,868	59,952
Indonesia	13,713	12,604
Greater China	68,825	71,512
Other Asia Pacific	11,522	10,665
Rest of the World	15,727	21,099
	<b>394,190</b>	<b>390,190</b>

The geographical information is prepared based on the country in which the transactions are booked. The geographical information is stated after elimination of intra-group transactions and balances.

17. Contingent liabilities

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions.

	GROUP	
	30 September 2016	31 December 2015
	\$'000	\$'000
Guarantees and standby letters of credit	5,384,911	6,320,087
Others	3,624,236	3,289,594
	<b>9,009,147</b>	<b>9,609,681</b>

## OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended 30 September 2016

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#### 18. 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	
	30 September 2016 \$'000	31 December 2015 \$'000
Credit commitments	105,954,705	113,114,285
Other commitments	2,378,148	2,457,945
	<b>108,332,853</b>	<b>115,572,230</b>

#### 19. Fair values of financial instruments

##### 19.1 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.

##### 19.2 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.

**OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

*For the nine months ended 30 September 2016*

**19. Fair values of financial instruments (continued)**

**19.2 Fair values (continued)**

**Financial liabilities**

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

**19.3 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.

The following table summarises the Group's assets and liabilities recorded at fair value by level of the fair value hierarchies:

GROUP \$ million	30 September 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>								
<b>Financial assets measured at fair value</b>								
Placements with and loans								
to banks	–	17,590	–	17,590	13	13,580	–	13,593
Debt and equity securities	21,458	2,002	188	23,648	20,818	2,728	183	23,729
Derivative receivables	42	5,429	27	5,498	60	6,142	46	6,248
Government treasury bills and securities	23,404	1,580	–	24,984	19,720	1,379	–	21,099
Life Assurance Fund investment assets	38,946	14,713	–	53,659	33,721	14,366	–	48,087
<b>Total</b>	<b>83,850</b>	<b>41,314</b>	<b>215</b>	<b>125,379</b>	<b>74,332</b>	<b>38,195</b>	<b>229</b>	<b>112,756</b>
<b>Non-financial assets measured at fair value</b>								
Life Assurance Fund investment properties	–	–	1,569	1,569	–	–	1,568	1,568
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,569</b>	<b>1,569</b>	<b>–</b>	<b>–</b>	<b>1,568</b>	<b>1,568</b>
<b>Financial liabilities measured at fair value</b>								
Derivative payables	69	5,864	24	5,957	79	5,943	47	6,069
Trading portfolio liabilities	804	–	–	804	645	–	–	645
Debt issued	–	955	–	955	–	912	–	912
Life Assurance Fund financial liabilities	1	371	–	372	–	516	–	516
<b>Total</b>	<b>874</b>	<b>7,190</b>	<b>24</b>	<b>8,088</b>	<b>724</b>	<b>7,371</b>	<b>47</b>	<b>8,142</b>

During the financial period, 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.



OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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19. Fair values of financial instruments (continued)

19.3 Fair value hierarchy (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP \$ million	Fair value at 30 September 2016	Classification	Valuation technique	Unobservable input
<b>Assets</b>				
Debt securities	16	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	172	Available-for-sale	Net asset value/ Multiples	Net asset value/ Earnings and ratios
Derivative receivables	27	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
<b>Total</b>	<b>215</b>			
<b>Liabilities</b>				
Derivative payables	24	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
<b>Total</b>	<b>24</b>			

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	2016				2015			
	Available- for-sale assets	Assets held for trading	Derivative receivables	Total	Available- for-sale assets	Assets held for trading	Derivative receivables	Total
<b>Financial assets measured at fair value</b>								
At 1 January	183	–	46	229	107	#	132	239
Purchases	19	–	3	22	40	–	11	51
Settlements/disposals	–	–	(#)	(#)	(3)	–	–	(3)
Transfers in to Level 3	–	–	–	–	10 <sup>(1)</sup>	–	–	10
Gains/(losses) recognised in								
- profit or loss	(3)	–	(22)	(25)	#	(#)	(96)	(96)
- other comprehensive income	(11)	–	(#)	(11)	29	#	(1)	28
At 30 September/31 December	<b>188</b>	<b>–</b>	<b>27</b>	<b>215</b>	<b>183</b>	<b>–</b>	<b>46</b>	<b>229</b>
Unrealised gains/(losses) included in profit or loss for assets held at the end of the period	<b>(1)</b>	<b>–</b>	<b>21</b>	<b>20</b>	<b>#</b>	<b>(#)</b>	<b>17</b>	<b>17</b>

<sup>(1)</sup> Relates to transfers from amortised cost to Level 3.

<sup>(2)</sup> # represents amounts less than \$0.5 million.

GROUP \$ million	2016		2015	
	Derivative payables	Total	Derivative payables	Total
<b>Financial liabilities measured at fair value</b>				
At 1 January	47	47	128	128
Issues	5	5	21	21
Settlements/disposals	(2)	(2)	(4)	(4)
Losses/(gains) recognised in				
- profit or loss	(26)	(26)	(97)	(97)
- other comprehensive income	(#)	(#)	(1)	(1)
At 30 September /31 December	<b>24</b>	<b>24</b>	<b>47</b>	<b>47</b>
Unrealised losses included in profit or loss for liabilities held at the end of the period	<b>(11)</b>	<b>(11)</b>	<b>(16)</b>	<b>(16)</b>

<sup>(1)</sup> # represents amounts less than \$0.5 million.