

Media Release

OCBC Group Reported Second Quarter 2016 Net Profit of S\$885 million

Second quarter earnings down 15% year-on-year from lower insurance income, and up 4% quarter-on-quarter

Banking operations earnings flat YoY and up 3% QoQ

Interim dividend maintained at 18 cents per share

Singapore, 28 July 2016 - Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S\$885 million for the second quarter of 2016 ("2Q16"). Against a strong quarter a year ago ("2Q15") which included a substantial gain from the sale of an equity investment under insurance subsidiary Great Eastern Holdings ("GEH"), net profit after tax was 15% lower, driven by a decline in investment income and unrealised mark-to-market losses in the insurance portfolio.

Earnings contributions to the Group from GEH fell 66% to S\$78 million from S\$230 million a year ago, partly due to the absence of a S\$105 million gain from the sale of an equity investment in 2Q15. GEH recorded strong underlying insurance business growth during the quarter, but its quarterly earnings were affected by unfavourable financial market conditions which resulted in unrealised mark-to-market losses in its bond and equity investment portfolio. Excluding GEH, net profit from the Group's banking operations was slightly down 1% year-on-year but 3% above the previous quarter ("1Q16").

For the second quarter, net interest income declined 2% to S\$1.26 billion from S\$1.28 billion a year ago, as a drop in interest earning assets offset improvements in net interest margin. Customer loan balances of S\$205 billion contracted 2% from a year ago from lower trade loans and reduced offshore borrowings of Chinese entities as a result of more favourable onshore borrowing rates. These offset increases in consumer loans and loans to the building and construction sector. Net interest margin for the quarter rose 1 basis point to 1.68% from a year ago from improved customer loan yields.

Non-interest income was 16% lower at S\$788 million as compared with S\$939 million a year ago. Fee and commission income fell 5% to S\$417 million, largely from lower brokerage and investment banking income. Net trading income, primarily treasury-related income from customer flows, rose to S\$123 million from S\$70 million in 2Q15. Net realised gains from the sale of investment securities of S\$44 million were lower as compared with S\$166 million the previous year, which had included a S\$136 million realised gain from the sale of an investment in GEH's equity portfolio (the Group's share of net profit after tax and non-controlling interest was S\$105 million). GEH's underlying insurance business performed well. Total weighted new sales climbed 23%, driven by growth across all distribution channels in Singapore and Malaysia, and new business embedded value rose 24% from healthy sales growth. However, profit from life assurance of S\$108 million was 19% lower as compared to a year ago, largely due to unrealised mark-to-market losses in GEH's equity and bond investment portfolio.

The Group's share of results of associates of S\$103 million was slightly above S\$102 million in 2Q15.

Operating expenses for the quarter rose a modest 1% to S\$932 million from S\$918 million a year ago as a result of disciplined cost management. The Group's cost-to-income ratio was 45.5%. Allowances for loans and other assets of S\$88 million were higher than S\$80 million a year ago.

As compared with 1Q16, the Group's net profit after tax rose 4%. Net interest income fell 4%, largely from a 7 basis points decline in net interest margin from a lower loan-to-deposit ratio and a decline in interbank placement rates. Net yield from customer loans and deposits was relatively stable quarter-on-quarter. Non-interest income rose 5% as growth across most fee income categories and higher life assurance profit more than offset lower investment income. Net trading income was stable quarter-on-quarter. Operating expenses rose 1% only, as cost containment measures have been put in place since the beginning of the year in view of the slowing market. Net allowances for loans and other assets were 48% below the previous quarter from lower portfolio and specific loan allowances.

First Half Performance

Net profit after tax for the first half of 2016 ("1H16") of S\$1.74 billion was 15% below S\$2.04 billion a year ago ("1H15"), which mainly reflected reduced earnings contributions from GEH. Excluding GEH, net profit after tax from the Group's banking operations fell 2%, as operating profit growth was offset by higher allowances set aside.

Net interest income for the Group rose 1% to S\$2.57 billion, led by a 7 basis points rise in net interest margin, which more than compensated for a fall in average asset volumes. Non-interest income of S\$1.54 billion was down 14% year-on-year. Fee and commission income declined 5% to S\$791 million, while net trading income, mainly comprising customer flow income, was up 26% at S\$245 million. Net gains from the sale of investment securities of S\$103 million were lower than S\$209 million in 1H15, which included a S\$136 million realised gain in GEH's equity investment portfolio. Profit from life assurance of S\$191 million in 1H16 declined from S\$331 million a year ago, as a result of unrealised mark-to-market losses in GEH's investment portfolios.

OCBC's private banking business continued to achieve strong growth. Its assets under management as at 30 June 2016 grew 12% to US\$61 billion (S\$82 billion) from US\$54 billion (S\$73 billion) a year ago. The Group's 1H16 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, of S\$1.00 billion was 21% lower than S\$1.28 billion a year ago, mainly due to lower income contributions from GEH. Excluding GEH, wealth management income increased 5% year-on-year. As a share of the Group's total income, wealth management contributions were 24% in 1H16 and 29% a year ago.

The Group's first half operating expenses were up 4% at S\$1.86 billion, mainly from staff-related costs. Net allowances for loans and other assets of S\$255 million were higher than S\$144 million set aside a year ago.

Income from associates of S\$209 million in 1H16 rose 9% from S\$191 million a year ago, largely attributable to increased contributions from associated company Bank of Ningbo.

Annualised return on equity for 1H16 was 10.3%, lower than 13.3% a year ago. Annualised earnings per share amounted to 83.5 cents, as compared to 101.8 cents a year ago.

Allowances and Asset Quality

Net allowances for loans and other assets were S\$88 million in 2Q16, as compared with S\$167 million the previous quarter and S\$80 million a year ago.

Specific allowances for loans, net of recoveries and write-backs, were S\$52 million and were the equivalent of 10 basis points of loans on an annualised basis, while portfolio allowances of S\$8 million were set aside.

The Group's asset quality remained sound. The Group had minimal loan and investment securities exposures to Europe. The non-performing loans ("NPL") ratio increased to 1.1% from 1.0% the previous quarter. As compared to the NPL ratio of 0.7% a year ago, the year-on-year increase largely reflected downgrades of a number of corporate accounts in the oil and gas support services sector which required their loan repayment terms to be restructured.

Prudent coverage ratios were maintained and total cumulative allowances represented 100% of total non-performing assets ("NPAs") and 271% of unsecured NPAs.

Funding and Capital Position

The Group maintained a strong funding position and was well-capitalised. As at 30 June 2016, customer loans and deposits were S\$205 billion and S\$246 billion respectively. The loans-to-deposit ratio was 82.2% as compared with 84.3% a year ago. The current and savings deposits to total non-bank deposits ratio of 49.3% was higher than 46.0% a year ago.

For 2Q16, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang and OCBC Yangon branch which will be included in due course) were 273% and 130% respectively, higher as compared to the respective regulatory ratios of 100% and 70%.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 30 June 2016, were 14.9%, 15.5% and 17.5% respectively. Based on Basel III transitional arrangements, these ratios were 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.

Interim Dividend

An interim dividend of 18 cents per share has been declared for the first half of 2016, similar to the 18 cents interim dividend paid in 1H15. The Scrip Dividend Scheme will not be applicable to the interim dividend. The interim dividend payout will amount to approximately S\$753 million, representing 43% of the Group's 1H16 net profit after tax.

CEO's Comments

Commenting on the Group's performance and outlook, CEO Samuel Tsien said:

"Our second quarter performance was resilient amid uncertain global economic conditions. Against a very strong second quarter of 2015 which included a substantial gain from the sale of an equity investment under Great Eastern, our earnings were lower as unrealised mark-to-market losses in our insurance subsidiary resulting from market volatility further reduced contributions to the Group. Excluding Great Eastern, operating profit from our banking operations was flat against the prior year and up 3% against the prior quarter. Credit quality is well-maintained, and our small European exposure was not adversely impacted by the recent market dislocations. We continued to be conservative in our loan classification and specific allowances provisioning to ensure that the Bank is prudently covered for the risks associated with the current operating environment.

We will continue to grow our businesses prudently, supported by our diversified sources of earnings and strong funding and capital position. We are well-positioned to weather the uncertainties ahead and capture new opportunities as they arise."

About OCBC Bank

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 has been ranked Asean's strongest bank and among the world's five strongest banks by Bloomberg Markets for five consecutive years since the ranking's inception in 2011.

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 over 610 branches and representative offices in 18 countries and regions. These include the more than 330 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 110 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

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To Our Shareholders

The Board of Directors of Oversea-Chinese Banking Corporation Limited (“OCBC”) reports the following:

Unaudited Financial Results for the Second Quarter Ended 30 June 2016

For the second quarter ended 30 June 2016, Group reported net profit after tax was S\$885 million. Details of the financial results are in the accompanying Group Financial Report.

Ordinary Dividend

An interim tax exempt dividend of 18 cents per share (2015: 18 cents tax exempt) has been declared for the first half-year 2016. The interim dividend payout will amount to an estimated S\$753 million (2015: S\$729 million) or approximately 43% of the Group’s net profit after tax of S\$1.74 billion for 1H16.

Closure of Books

The books closure date is 6 August 2016. Please refer to the separate announcement titled “Notice of Books Closure and Payment of Interim One-Tier Tax Exempt Dividend on Ordinary Shares for the Financial Year Ending 31 December 2016” released by the Bank today.

Scrip Dividend Scheme

The Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme, which was approved by the Shareholders of the Bank at the Extraordinary General Meeting on 8 June 1996, will not be applicable to the interim dividend.

Preference Dividend

On 20 June 2016, the Bank paid semi-annual tax exempt dividend on its Class M non-cumulative non-convertible preference shares at 4.0% (2015: 4.0%) per annum. Total amount of dividend paid was S\$20.1 million.

Peter Yeoh
Secretary

Singapore, 28 July 2016

More details on the results are available on the Bank’s website at www.ocbc.com

Oversea-Chinese Banking Corporation Limited
Second Quarter 2016 Group Financial Report



Incorporated in Singapore
Company Registration Number: 193200032W

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Notes:

1. Certain comparative figures have been restated to conform with the current period's presentation.
2. Amounts less than S\$0.5 million are shown as "0".
3. "nm" denotes not meaningful.

FINANCIAL SUMMARY

OCBC Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards (“FRS”) as required by the Singapore Companies 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.

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

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>

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. The Group is currently assessing the impact of FRS 109 on its financial statements.

Financial Results

The Group reported a net profit after tax of S\$885 million for the second quarter ended 30 June 2016 (“2Q16”), 15% lower as compared with S\$1.05 billion a year ago (“2Q15”), which included a substantial gain from sale of an equity investment under its insurance subsidiary Great Eastern Holdings (“GEH”).

Net interest income of S\$1.26 billion in 2Q16 declined 2% from S\$1.28 billion in 2Q15, mainly as a result of lower asset volumes. Non-interest income was down 16% to S\$788 million, from S\$939 million a year ago. Fee and commission income of S\$417 million fell 5% from S\$438 million in 2Q15. Investment income was lower at S\$44 million, as compared with S\$166 million in 2Q15, which had included realised gains of S\$136 million from the sale of an investment in GEH’s equity portfolio. Net trading income was higher at S\$123 million as compared with S\$70 million a year ago, while profit from life assurance fell by 19% to S\$108 million from S\$132 million in 2Q15. The Group’s share of results of associates of S\$103 million was slightly above that from a year ago.

Operating expenses grew 1% to S\$932 million from S\$918 million in 2Q15, mainly from higher staff costs. Allowances for loans and other assets amounted to S\$88 million, up from S\$80 million a year ago. The Group’s non-performing loans (“NPL”) ratio was 1.1% as at 30 June 2016, an increase from 0.7% a year ago.

For the first half of 2016 (“1H16”), the Group net profit after tax was S\$1.74 billion, a decline of 15% from S\$2.04 billion a year ago (“1H15”), and mainly reflected reduced earnings contributions from GEH.

Annualised return on equity was 10.3% in 1H16, as compared with 13.3% a year ago. Annualised earnings per share amounted to 83.5 cents in 1H16, and was 101.8 cents the previous year.

FINANCIAL SUMMARY *(continued)*

S\$ million	1H16	1H15	+ / (-) %	2Q16	2Q15	+ / (-) %	1Q16	+ / (-) %
Selected Income Statement Items								
Net interest income	2,567	2,531	1	1,260	1,282	(2)	1,307	(4)
Non-interest income	1,541	1,798	(14)	788	939	(16)	753	5
Total income	4,108	4,329	(5)	2,048	2,221	(8)	2,060	(1)
Operating expenses	(1,855)	(1,791)	4	(932)	(918)	1	(923)	1
Operating profit before allowances and amortisation	2,253	2,538	(11)	1,116	1,303	(14)	1,137	(2)
Amortisation of intangible assets	(48)	(48)	(1)	(24)	(24)	(1)	(24)	(1)
Allowances for loans and impairment for other assets	(255)	(144)	77	(88)	(80)	9	(167)	(48)
Operating profit after allowances and amortisation	1,950	2,346	(17)	1,004	1,199	(16)	946	6
Share of results of associates	209	191	9	103	102	–	106	(4)
Profit before income tax	2,159	2,537	(15)	1,107	1,301	(15)	1,052	5
Net profit attributable to shareholders	1,741	2,041	(15)	885	1,048	(15)	856	4
Cash basis net profit attributable to shareholders ^{1/}	1,789	2,089	(14)	909	1,072	(15)	880	3

Selected Balance Sheet Items

Ordinary equity	34,275	31,552	9	34,275	31,552	9	33,712	2
Total equity <i>(excluding non-controlling interests)</i>	35,775	32,948	9	35,775	32,948	9	35,212	2
Total assets	395,675	399,014	(1)	395,675	399,014	(1)	389,293	2
Assets excluding life assurance fund investment assets	336,219	342,151	(2)	336,219	342,151	(2)	329,979	2
Loans and bills receivable <i>(net of allowances)</i>	202,521	207,828	(3)	202,521	207,828	(3)	205,169	(1)
Deposits of non-bank customers	246,274	246,424	–	246,274	246,424	–	242,293	2

Note:

1. Excludes amortisation of intangible assets.

FINANCIAL SUMMARY *(continued)*

	1H16	1H15	2Q16	2Q15	1Q16
Key Financial Ratios					
Performance ratios (% p.a.)					
Return on equity ^{1/2/}					
SFRS ^{3/} basis	10.3	13.3	10.4	13.4	10.1
Cash basis	10.6	13.6	10.7	13.7	10.4
Return on assets ^{4/}					
SFRS ^{3/} basis	1.05	1.21	1.06	1.24	1.03
Cash basis	1.08	1.24	1.09	1.26	1.06
Revenue mix/efficiency ratios (%)					
Net interest margin (annualised)	1.71	1.64	1.68	1.67	1.75
Net interest income to total income	62.5	58.5	61.5	57.7	63.4
Non-interest income to total income	37.5	41.5	38.5	42.3	36.6
Cost to income	45.2	41.4	45.5	41.3	44.8
Loans to deposits	82.2	84.3	82.2	84.3	84.7
NPL ratio	1.1	0.7	1.1	0.7	1.0
Earnings per share ^{2/} (annualised - cents)					
Basic earnings	83.5	101.8	84.9	103.9	82.2
Basic earnings (cash basis)	85.9	104.3	87.2	106.4	84.6
Diluted earnings	83.5	101.7	84.9	103.8	82.2
Net asset value per share (S\$)					
Before valuation surplus	8.19	7.80	8.19	7.80	8.20
After valuation surplus	9.70	9.99	9.70	9.99	9.82
Capital adequacy ratios (%) ^{5/}					
Common Equity Tier 1	14.9	14.1	14.9	14.1	14.6
Tier 1	15.5	14.1	15.5	14.1	15.1
Total	17.5	16.1	17.5	16.1	17.3
Leverage ratio (%) ^{6/}					
	8.2	7.4	8.2	7.4	8.2

Notes:

1. Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
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 period.
3. "SFRS" refers to Singapore Financial Reporting Standards.
4. Computation of return on assets excludes life assurance fund investment assets.
5. The Group's Capital adequacy ratios are computed based on Basel III transitional arrangements.
6. The Group's 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.
7. Return on equity, return on assets, net interest margin and earnings per share are computed on an annualised basis.

NET INTEREST INCOME

Average Balance Sheet

S\$ million	1H16			1H15		
	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %
Interest earning assets						
Loans and advances to non-bank customers	205,711	3,333	3.26	206,289	3,176	3.11
Placements with and loans to banks	50,827	391	1.55	60,271	455	1.52
Other interest earning assets ^{1/}	44,763	526	2.36	44,024	582	2.67
Total	301,301	4,250	2.84	310,584	4,213	2.74
Interest bearing liabilities						
Deposits of non-bank customers	245,369	1,391	1.14	250,411	1,408	1.13
Deposits and balances of banks	14,236	63	0.88	16,411	63	0.77
Other borrowings ^{2/}	21,886	229	2.10	27,146	211	1.57
Total	281,491	1,683	1.20	293,968	1,682	1.15
Net interest income/margin ^{3/}		2,567	1.71		2,531	1.64

S\$ million	2Q16			2Q15			1Q16		
	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %
Interest earning assets									
Loans and advances to non-bank customers	203,842	1,636	3.23	205,038	1,603	3.14	207,580	1,697	3.29
Placements with and loans to banks	52,035	187	1.44	58,790	210	1.43	49,619	204	1.65
Other interest earning assets ^{1/}	46,123	271	2.37	44,500	292	2.63	43,403	255	2.36
Total	302,000	2,094	2.79	308,328	2,105	2.74	300,602	2,156	2.88
Interest bearing liabilities									
Deposits of non-bank customers	247,548	691	1.12	247,492	685	1.11	243,192	700	1.16
Deposits and balances of banks	13,413	30	0.88	17,044	34	0.80	15,059	33	0.89
Other borrowings ^{2/}	20,606	113	2.20	26,611	104	1.57	23,166	116	2.01
Total	281,567	834	1.19	291,147	823	1.13	281,417	849	1.21
Net interest income/margin ^{3/}		1,260	1.68		1,282	1.67		1,307	1.75

Notes:

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.
4. Average rates are computed on an annualised basis.

NET INTEREST INCOME *(continued)*

Net interest income declined 2% to S\$1.26 billion in 2Q16, from S\$1.28 billion a year ago, largely attributable to a fall in interest earning assets which offset improved net interest margins. Net interest margin rose 1 basis point to 1.68% from 1.67% from higher customer loan yields.

As compared with 1Q16, net interest income was 4% lower, mainly from a 7 basis points decline in net interest margin from a lower loan-to-deposit ratio and a decline in interbank placement rates. Net yield from customer loans and deposits was relatively stable quarter-on-quarter.

Volume and Rate Analysis

Increase/(decrease) due to change in: S\$ million	1H16 vs 1H15			2Q16 vs 2Q15			2Q16 vs 1Q16		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
Interest income									
Loans and advances to non-bank customers	(9)	148	139	(9)	42	33	(30)	(31)	(61)
Placements with and loans to banks	(72)	5	(67)	(24)	1	(23)	10	(27)	(17)
Other interest earning assets	10	(69)	(59)	10	(31)	(21)	15	1	16
Total	(71)	84	13	(23)	12	(11)	(5)	(57)	(62)
Interest expense									
Deposits of non-bank customers	(28)	4	(24)	0	6	6	12	(21)	(9)
Deposits and balances of banks	(9)	8	(1)	(7)	3	(4)	(3)	0	(3)
Other borrowings	(41)	57	16	(24)	33	9	(13)	10	(3)
Total	(78)	69	(9)	(31)	42	11	(4)	(11)	(15)
Impact on net interest income	7	15	22	8	(30)	(22)	(1)	(46)	(47)
Due to change in number of days			14			-			-
Net interest income			36			(22)			(47)

NON-INTEREST INCOME

S\$ million	1H16	1H15	+ / (-) %	2Q16	2Q15	+ / (-) %	1Q16	+ / (-) %
Fees and commissions								
Brokerage	32	49	(35)	15	29	(47)	17	(9)
Wealth management ^{1/}	276	292	(6)	150	149	–	126	18
Fund management ^{1/}	47	40	18	24	22	14	23	6
Credit card	73	64	14	41	33	24	32	31
Loan-related	150	158	(5)	78	83	(5)	72	9
Trade-related and remittances	101	115	(12)	51	58	(11)	50	1
Guarantees	11	10	4	7	5	15	4	35
Investment banking	29	49	(42)	15	30	(53)	14	1
Service charges	55	38	48	29	20	54	26	13
Others ^{1/}	17	18	(4)	7	9	(21)	10	(25)
Sub-total	791	833	(5)	417	438	(5)	374	11
Dividends	38	50	(24)	27	37	(28)	11	140
Rental income	45	51	(12)	22	25	(12)	23	(2)
Profit from life assurance	191	331	(42)	108	132	(19)	83	29
Premium income from general insurance	77	80	(3)	38	42	(8)	39	(1)
Other income								
Net trading income	245	193	26	123	70	76	122	1
Net gain from investment securities	103	209	(51)	44	166	(74)	59	(27)
Net loss from disposal of a subsidiary	(19)	–	–	(19)	–	–	–	–
Net gain from disposal of properties	28	10	189	7	6	21	21	(64)
Others	42	41	2	21	23	(9)	21	(1)
Sub-total	399	453	(12)	176	265	(34)	223	(21)
Total non-interest income	1,541	1,798	(14)	788	939	(16)	753	5
Fees and commissions/Total income	19.3%	19.2%		20.3%	19.7%		18.2%	
Non-interest income/Total income	37.5%	41.5%		38.5%	42.3%		36.6%	

Note:

1. Comparative figures have been restated to conform with the current period's presentation.

Non-interest income in 2Q16 was S\$788 million, and was 16% lower as compared with S\$939 million a year ago.

Fee and commission income declined 5% year-on-year to S\$417 million, mainly from a fall in investment banking and brokerage fees. Net realised gains from the sale of investment securities of S\$44 million were lower as compared to S\$166 million in 2Q15, which had included a S\$136 million realised gain from the sale of an investment in GEH's equity portfolio (the Group's share of net profit after tax and non-controlling interest was S\$105 million). Net trading income, primarily treasury-related income from customer flows, of S\$123 million was 76% higher from S\$70 million a year ago. Profit from life assurance was 19% lower at S\$108 million, as unfavourable financial market conditions resulted in unrealised mark-to-market losses in GEH's bond and equity investment portfolio.

Against 1Q16, non-interest income was 5% higher from S\$753 million, underpinned by higher fee income and profit from life assurance.

OPERATING EXPENSES

S\$ million	1H16	1H15	+/(-) %	2Q16	2Q15	+/(-) %	1Q16	+/(-) %
Staff costs								
Salaries and other costs	1,057	1,016	4	534	522	2	523	2
Share-based expenses	23	19	25	13	11	26	10	30
Contribution to defined contribution plans	81	84	(3)	36	42	(14)	45	(20)
	1,161	1,119	4	583	575	1	578	1
Property and equipment								
Depreciation	151	144	5	75	73	3	76	(2)
Maintenance and hire of property, plant & equipment	58	52	11	30	27	13	28	11
Rental expenses	49	48	3	25	24	3	24	1
Others	114	107	7	59	55	6	55	7
	372	351	6	189	179	5	183	3
Other operating expenses	322	321	–	160	164	(3)	162	(1)
Total operating expenses	1,855	1,791	4	932	918	1	923	1
Group staff strength								
Period end	30,068	29,507	2	30,068	29,507	2	30,017	–
Average	30,006	29,549	2	30,073	29,539	2	29,939	–
Cost to income ratio	45.2%	41.4%		45.5%	41.3%		44.8%	

Operating expenses rose 1% to S\$932 million for the quarter, reflecting cost containment measures which have been put in place since the beginning of the year in view of the slowing market. Staff costs were up 1% to S\$583 million from S\$575 million a year ago. Property and equipment-related expenses were S\$189 million, an increase of 5% from S\$179 million in 2Q15, mainly as a result of higher depreciation and technology-related costs.

Compared with 1Q16, operating expenses grew 1% from S\$923 million, largely from higher staff-related costs as the Group's annual salary increments took effect in April 2016.

The cost-to-income ratio was 45.5% in 2Q16 and 45.2% for 1H16 respectively.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S\$ million	1H16	1H15	+/(-) %	2Q16	2Q15	+/(-) %	1Q16	+/(-) %
Specific allowances/ (write-back) for loans								
Singapore	77	32	141	41	16	155	36	14
Malaysia	23	37	(36)	10	27	(60)	13	(16)
Greater China	15	12	27	4	5	(22)	11	(67)
Others	36	11	217	(3)	(1)	(522)	39	(110)
	151	92	65	52	47	11	99	(48)
Portfolio allowances for loans	64	52	21	8	32	(77)	56	(86)
Allowances and impairment charges for other assets	40	0	nm	28	1	nm	12	132
Allowances for loans and impairment for other assets	255	144	77	88	80	9	167	(48)

Net allowances for loans and other assets were S\$88 million in 2Q16, as compared with S\$167 million the previous quarter and S\$80 million a year ago.

Specific allowances for loans, net of recoveries and write-backs, were S\$52 million, 11% higher from S\$47 million a year ago, with the increase coming mainly from Singapore. Net specific allowances were 10 basis points of loans on an annualised basis. Compared with the previous quarter, specific allowances were lower than S\$99 million in 1Q16.

Portfolio allowances for loans were S\$8 million for 2Q16, as compared with S\$32 million a year ago and S\$56 million in 1Q16.

LOANS AND ADVANCES

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Loans to customers	200,282	201,420	202,093	197,145
Bills receivable	5,203	6,661	8,572	13,001
Gross loans to customers	205,485	208,081	210,665	210,146
Allowances				
Specific allowances	(360)	(388)	(360)	(342)
Portfolio allowances	(2,097)	(2,102)	(2,060)	(1,934)
	203,028	205,591	208,245	207,870
Less: assets pledged	(507)	(422)	(27)	(42)
Loans net of allowances	202,521	205,169	208,218	207,828
By Maturity				
Within 1 year	73,090	75,271	78,167	79,893
1 to 3 years	36,362	36,832	36,345	30,253
Over 3 years	96,033	95,978	96,153	100,000
	205,485	208,081	210,665	210,146
By Industry				
Agriculture, mining and quarrying	7,838	7,578	7,394	8,074
Manufacturing	11,434	12,881	13,222	12,978
Building and construction	34,090	34,838	34,407	32,988
Housing loans	58,356	57,455	56,058	55,321
General commerce	22,294	23,641	26,128	29,237
Transport, storage and communication	10,860	11,344	12,360	11,741
Financial institutions, investment and holding companies	26,856	26,848	27,463	26,219
Professionals and individuals	24,319	23,195	23,464	22,746
Others	9,438	10,301	10,169	10,842
	205,485	208,081	210,665	210,146
By Currency				
Singapore Dollar	80,540	81,220	80,496	76,346
United States Dollar	45,645	45,543	49,408	50,797
Malaysian Ringgit	21,720	22,285	21,273	22,582
Indonesian Rupiah	6,543	6,523	6,511	5,320
Hong Kong Dollar	27,794	27,920	29,457	29,332
Chinese Renminbi	5,777	7,176	7,509	9,927
Others	17,466	17,414	16,011	15,842
	205,485	208,081	210,665	210,146
By Geography ^{1/}				
Singapore	88,698	88,347	87,540	85,547
Malaysia	28,580	29,350	28,599	28,112
Indonesia	16,830	16,845	17,216	14,462
Greater China	49,291	51,837	56,416	57,624
Other Asia Pacific	10,871	10,792	10,644	9,189
Rest of the World	11,215	10,910	10,250	15,212
	205,485	208,081	210,665	210,146

Note:

- 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\$205 billion as at 30 June 2016, lower as compared with S\$210 billion a year ago. This was largely from lower trade loans and reduced offshore borrowings of Chinese entities as a result of more favourable onshore borrowing rates, which offset increases in consumer loans and loans to the building and construction sector.

NON-PERFORMING ASSETS

S\$ million	Total NPAs ^{1/}	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs %	NPLs ^{2/}	NPL Ratio ^{2/} %
Singapore							
30 Jun 2016	574	309	157	108	64.5	536	0.6
31 Mar 2016	604	366	138	100	72.4	604	0.7
31 Dec 2015	545	337	113	95	78.8	545	0.6
30 Jun 2015	385	172	118	95	77.7	385	0.5
Malaysia							
30 Jun 2016	465	365	68	32	78.5	441	1.5
31 Mar 2016	744	615	102	27	82.6	717	2.4
31 Dec 2015	732	628	77	27	85.8	707	2.5
30 Jun 2015	544	409	111	24	75.1	522	1.9
Indonesia							
30 Jun 2016	656	552	14	90	63.3	653	3.9
31 Mar 2016	461	343	28	90	58.3	461	2.7
31 Dec 2015	400	316	10	74	36.1	400	2.3
30 Jun 2015	246	156	7	83	28.2	246	1.7
Greater China							
30 Jun 2016	414	201	156	57	41.6	355	0.7
31 Mar 2016	218	74	90	54	68.3	185	0.4
31 Dec 2015	241	74	112	55	80.5	207	0.4
30 Jun 2015	159	60	25	74	77.3	159	0.3
Other Asia Pacific							
30 Jun 2016	267	267	–	–	76.5	267	2.5
31 Mar 2016	119	110	9	–	76.5	119	1.1
31 Dec 2015	80	80	–	–	61.9	80	0.7
30 Jun 2015	116	101	15	–	62.2	116	1.3
Rest of the World							
30 Jun 2016	112	38	73	1	39.0	105	0.9
31 Mar 2016	75	–	74	1	8.7	68	0.6
31 Dec 2015	41	21	19	1	21.0	30	0.3
30 Jun 2015	44	–	43	1	12.3	32	0.2
Group							
30 Jun 2016	2,488	1,732	468	288	63.1	2,357	1.1
31 Mar 2016	2,221	1,508	441	272	70.6	2,154	1.0
31 Dec 2015	2,039	1,456	331	252	71.3	1,969	0.9
30 Jun 2015	1,494	898	319	277	65.5	1,460	0.7

Notes:

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

NON-PERFORMING ASSETS (continued)

Non-performing assets (“NPAs”) were S\$2.49 billion as at 30 June 2016, an increase from S\$1.49 billion a year ago. The year-on-year increase in NPAs was mainly due to the classification of a number of corporate accounts associated with the oil and gas support services sector.

The Group’s NPL ratio was 1.1%, higher from 0.7% a year ago and from 1.0% the previous quarter. Of the total NPAs, 70% were in the substandard category and 63% were secured by collateral.

	30 Jun 2016		31 Mar 2016		31 Dec 2015		30 Jun 2015	
	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans
NPLs by Industry								
Loans and advances								
Agriculture, mining and quarrying	189	2.4	416	5.5	337	4.6	75	0.9
Manufacturing	268	2.3	435	3.4	428	3.2	288	2.2
Building and construction	114	0.3	114	0.3	105	0.3	82	0.2
Housing loans	325	0.6	308	0.5	278	0.5	290	0.5
General commerce	322	1.4	166	0.7	194	0.7	162	0.6
Transport, storage and communication	342	3.2	285	2.5	274	2.2	273	2.3
Financial institutions, investment and holding companies	385	1.4	217	0.8	197	0.7	155	0.6
Professionals and individuals	150	0.6	142	0.6	129	0.6	114	0.5
Others	262	2.8	71	0.7	27	0.3	21	0.2
Total NPLs	2,357	1.1	2,154	1.0	1,969	0.9	1,460	0.7
Classified debt securities	100		39		40		5	
Classified contingent liabilities	31		28		30		29	
Total NPAs	2,488		2,221		2,039		1,494	

	30 Jun 2016		31 Mar 2016		31 Dec 2015		30 Jun 2015	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
NPAs by Period Overdue								
Over 180 days	865	35	816	37	590	29	577	39
Over 90 to 180 days	437	18	359	16	378	19	171	11
30 to 90 days	608	24	343	15	284	14	169	11
Less than 30 days	130	5	77	4	206	10	55	4
Not overdue	448	18	626	28	581	28	522	35
	2,488	100	2,221	100	2,039	100	1,494	100

S\$ million	30 Jun 2016		31 Mar 2016		31 Dec 2015		30 Jun 2015	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans								
Substandard	655	27	234	13	365	13	168	1
Doubtful	49	43	58	37	39	34	66	34
Loss	24	14	21	4	5	4	14	5
	728	84	313	54	409	51	248	40

CUMULATIVE ALLOWANCES FOR ASSETS

S\$ million	Total cumulative allowances	Specific allowances	Portfolio allowances	Specific allowances as % of total NPAs	Cumulative allowances as % of total NPAs
				%	%
Singapore					
30 Jun 2016	923	128	795	22.4	161.0
31 Mar 2016	892	104	788	17.1	147.7
31 Dec 2015	857	85	772	15.6	157.2
30 Jun 2015	758	79	679	20.6	197.0
Malaysia					
30 Jun 2016	479	89	390	19.2	103.1
31 Mar 2016	537	139	398	18.7	72.2
31 Dec 2015	539	148	391	20.2	73.7
30 Jun 2015	527	129	398	23.6	96.7
Indonesia					
30 Jun 2016	306	67	239	10.1	46.6
31 Mar 2016	295	71	224	15.5	64.1
31 Dec 2015	268	58	210	14.4	66.8
30 Jun 2015	221	41	180	16.4	89.8
Greater China					
30 Jun 2016	567	80	487	19.3	136.9
31 Mar 2016	567	59	508	27.1	259.8
31 Dec 2015	581	70	511	29.1	240.8
30 Jun 2015	564	66	498	41.9	356.0
Other Asia Pacific					
30 Jun 2016	102	0	102	0.2	38.4
31 Mar 2016	104	1	103	0.7	86.9
31 Dec 2015	98	1	97	1.2	123.1
30 Jun 2015	117	23	94	19.7	100.7
Rest of the World					
30 Jun 2016	113	29	84	25.8	100.3
31 Mar 2016	110	29	81	39.0	148.3
31 Dec 2015	95	16	79	39.9	235.3
30 Jun 2015	96	11	85	26.0	219.6
Group					
30 Jun 2016	2,490	393	2,097	15.8	100.1
31 Mar 2016	2,505	403	2,102	18.2	112.8
31 Dec 2015	2,438	378	2,060	18.6	119.6
30 Jun 2015	2,283	349	1,934	23.4	152.8

As at 30 June 2016, the Group's total cumulative allowances for assets were S\$2.49 billion, comprising S\$393 million in specific allowances and S\$2.10 billion in portfolio allowances. The coverage ratios as of 30 June 2016 comprised total cumulative allowances amounting to 271% of unsecured NPAs and 100% of total NPAs.

DEPOSITS

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Deposits of non-bank customers	246,274	242,293	246,277	246,424
Deposits and balances of banks	14,035	13,846	12,047	16,924
	260,309	256,139	258,324	263,348
Loans to deposits ratio (net non-bank loans/non-bank deposits)	82.2%	84.7%	84.5%	84.3%

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Total Deposits By Maturity				
Within 1 year	255,794	250,994	253,338	258,550
1 to 3 years	2,475	2,866	2,530	2,333
Over 3 years	2,040	2,279	2,456	2,465
	260,309	256,139	258,324	263,348

Non-Bank Deposits By Product				
Fixed deposits	107,692	106,283	106,375	112,342
Savings deposits	43,881	43,565	43,099	42,202
Current account	77,547	75,932	77,298	71,200
Others	17,154	16,513	19,505	20,680
	246,274	242,293	246,277	246,424

Non-Bank Deposits By Currency				
Singapore Dollar	92,268	90,724	88,905	86,325
United States Dollar	72,293	67,242	72,583	70,981
Malaysian Ringgit	23,804	23,890	22,616	25,459
Indonesian Rupiah	6,837	6,368	5,692	5,371
Hong Kong Dollar	22,637	22,986	23,692	25,272
Chinese Renminbi	8,099	8,641	10,501	11,432
Others	20,336	22,442	22,288	21,584
	246,274	242,293	246,277	246,424

Non-bank customer deposits were S\$246 billion as at 30 June 2016, unchanged from a year ago, and up 2% from S\$242 billion the previous quarter. Growth in current account deposits and savings deposits offset a fall in fixed deposits and other deposits. The ratio of current and savings deposits to total non-bank deposits increased to 49.3% as at 30 June 2016, up from 46.0% a year ago. The Group's loan-to-deposit ratio was 82.2%, as compared with 84.3% a year ago.

DEBT ISSUED

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Subordinated debt (unsecured)	6,345	6,329	6,480	6,398
Fixed and floating rate notes (unsecured)	4,297	4,612	4,857	4,789
Commercial papers (unsecured)	9,966	8,712	10,879	17,010
Structured notes (unsecured)	1,454	1,261	1,263	1,090
Total	22,062	20,914	23,479	29,287
Debt Issued By Maturity				
Within one year	13,304	10,930	12,755	18,613
Over one year	8,758	9,984	10,724	10,674
Total	22,062	20,914	23,479	29,287

As at 30 June 2016, the Group had S\$10.0 billion of commercial papers outstanding, a decline from a year ago and higher from the previous quarter. The commercial papers form part of the Group's diversified funding sources.

CAPITAL ADEQUACY RATIOS¹

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Ordinary shares	14,106	13,518	13,560	12,943
Disclosed reserves/others	20,323	20,339	19,655	18,761
Regulatory adjustments	(6,012)	(6,011)	(4,577)	(4,523)
Common Equity Tier 1 Capital	28,417	27,846	28,638	27,181
Additional Tier 1 capital	3,108	3,107	3,128	3,024
Regulatory adjustments	(2,091)	(2,097)	(3,128)	(3,024)
Tier 1 Capital	29,434	28,856	28,638	27,181
Tier 2 capital	5,870	6,010	6,151	5,924
Regulatory adjustments	(1,915)	(1,906)	(2,334)	(2,248)
Total Eligible Capital	33,389	32,960	32,455	30,857
Risk Weighted Assets	189,862	189,940	193,119	191,575
Capital Adequacy Ratios				
Common Equity Tier 1	14.9%	14.6%	14.8%	14.1%
Tier 1	15.5%	15.1%	14.8%	14.1%
Total	17.5%	17.3%	16.8%	16.1%

The Group remains strongly capitalised, with a Common Equity Tier 1 (“CET1”) capital adequacy ratio (“CAR”) of 14.9%, and Tier 1 and Total CAR of 15.5% and 17.5% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2016².

The Group’s CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, was 12.7%.

The capital adequacy information of the Group’s significant banking subsidiaries as at 30 June 2016 were:

S\$ million	Total Risk Weighted Assets	Capital Adequacy Ratios		
		Common Equity Tier 1	Tier 1	Total
OCBC Wing Hang Bank Limited	17,294	14.4%	14.4%	17.9%
OCBC Bank (Malaysia) Berhad	13,493	12.4%	14.5%	17.2%
Bank OCBC NISP	10,603	17.9%	17.9%	19.0%

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. Bank OCBC NISP computes their ratios based on the standardised approach under the Basel III framework.

¹ Public disclosures required under MAS Notice 637 Part XI can be found in the Capital and Regulatory Disclosures section of the Bank’s investor relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

² 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.

LEVERAGE RATIO

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Tier 1 Capital	29,434	28,856	28,638	27,181
Total exposures	356,597	350,967	357,971	363,935
Leverage ratio	8.2%	8.2%	8.0%	7.4%

Note:

- Public disclosures required under MAS Notice 637 Part XI Division 3 Sub-division 11: Leverage ratio can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

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 30 June 2016, the Group's leverage ratio was 8.2%, above the minimum requirement of 3% which is being tested by BCBS during the parallel run period from 2013 to 2017.

LIQUIDITY COVERAGE RATIOS

For 2Q16, the average Singapore dollar ("SGD") and all-currency liquidity coverage ratios ("LCR") for the Group (excluding OCBC Wing Hang and OCBC Yangon branch which will be included in due course) were 273% and 130% respectively. Compared with 1Q16, the SGD LCR rose 14 percentage points, mainly from an increase in central bank reserves. The all-currency LCR increased by 8 percentage points from higher sovereign bond holdings. Within 2Q16, the intra-period variances in LCR were due to movements in High Quality Liquid Assets ("HQLA") and in wholesale funding activities.

The Group continued to focus on acquiring stable deposits and to maintain a mix of HQLA 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.

Public disclosures required under MAS Notice 651 Liquidity Coverage Ratio Disclosure can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

UNREALISED VALUATION SURPLUS

S\$ million	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Jun 2015
Properties ^{2/}	3,918	3,910	3,915	3,964
Equity securities ^{3/}	2,379	2,734	2,508	4,917
Total	6,297	6,644	6,423	8,881

Notes:

- Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end, with internal reviews performed for other quarters.
- Comprises mainly investments in quoted subsidiaries and an associate, which are valued based on their market prices at the end of each quarter.

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 30 June 2016 was S\$6.30 billion, down 5% from S\$6.64 billion as at 31 March 2016, mainly from lower equity securities valuation from the Group's equity stake in GEH.

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

S\$ million	1H16	1H15	+/(-) %	2Q16	2Q15	+/(-) %	1Q16	+/(-) %
Global Consumer/Private Banking	526	483	9	273	265	3	253	8
Global Corporate/Investment Banking	975	985	(1)	468	495	(5)	507	(8)
Global Treasury and Markets	219	267	(18)	101	89	13	118	(15)
OCBC Wing Hang	168	185	(9)	94	93	1	74	28
Insurance	226	537	(58)	120	303	(60)	106	13
Others	(164)	(111)	48	(52)	(46)	14	(112)	(53)
Operating profit after allowances and amortisation	1,950	2,346	(17)	1,004	1,199	(16)	946	6

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 9% year-on-year to S\$526 million in 1H16, driven by growth in net interest income, and partly offset by higher expenses and allowances. 2Q16 operating profit of S\$273 million was 3% higher from a year ago and was up 8% from the previous quarter. The increase in operating profit for both periods was led by higher net interest income and fee income.

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.

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

Global Corporate/Investment Banking's operating profit after allowances fell 1% from a year ago to S\$975 million in 1H16, as net interest income growth was offset by higher expenses and allowances. 2Q16 operating profit was down 5% year-on-year to S\$468 million, largely from lower fee income. Quarter-on-quarter, operating profit fell 8%, as lower net interest income and investment income offset a decline in allowances.

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Global Treasury's operating profit after allowances fell 18% to S\$219 million in 1H16, as lower net interest income from limited gapping opportunities more than offset higher net trading income. 2Q16 operating profit rose 13% from a year ago to S\$101 million, driven by higher net trading income, partly offset by a decline in net interest income. Compared to 1Q16, operating profit was down 15%, reflecting lower net interest income.

OCBC Wing Hang

OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

OCBC Wing Hang's operating profit after allowances was S\$168 million in 1H16, 9% lower from S\$185 million a year ago, mainly attributable to lower fee income and net trading income, as well as higher expenses. 2Q16 operating profit of S\$94 million was 1% higher year-on-year, mainly attributable to higher investment income and lower allowances, which more than offset a decline in net interest income and fee income. Quarter-on-quarter, operating profit rose 28% mainly from higher fee income and lower allowances, partly offset by a decline in net interest income.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.6%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH's operating profit after allowances fell 58% year-on-year to S\$226 million in 1H16 and was down 60% to S\$120 million in 2Q16. The year-on-year decline for both periods was attributable to lower insurance income arising from unrealised mark-to-market losses in its investment portfolios, and from the absence of a realised gain from the sale of an equity investment recognised in 2Q15.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S\$151 million in 1H16 and S\$78 million in 2Q16, down from S\$411 million in 1H15 and S\$230 million in 2Q15.

Others

Others comprise mainly property holding, investment holding and items not attributable to the business segments described above.

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
1H16							
Total income	1,380	1,576	350	415	365	22	4,108
Operating profit before allowances and amortisation	583	1,067	217	194	257	(65)	2,253
Amortisation of intangible assets	(4)	–	–	(21)	(23)	–	(48)
Write-back/(allowances and impairment) for loans and other assets	(53)	(92)	2	(5)	(8)	(99)	(255)
Operating profit after allowances and amortisation	526	975	219	168	226	(164)	1,950
Other information:							
Capital expenditure	19	1	0	5	26	134	185
Depreciation	20	5	1	30	2	93	151
1H15							
Total income	1,297	1,531	399	426	671	5	4,329
Operating profit before allowances and amortisation	533	1,033	270	213	561	(72)	2,538
Amortisation of intangible assets	(4)	–	–	(21)	(23)	–	(48)
Allowances and impairment for loans and other assets	(46)	(48)	(3)	(7)	(1)	(39)	(144)
Operating profit after allowances and amortisation	483	985	267	185	537	(111)	2,346
Other information:							
Capital expenditure	19	5	0	7	21	82	134
Depreciation	18	5	1	28	2	90	144

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
2Q16							
Total income	711	760	170	207	188	12	2,048
Operating profit before allowances and amortisation	304	505	102	98	135	(28)	1,116
Amortisation of intangible assets	(2)	–	–	(11)	(11)	–	(24)
Write-back/(allowances and impairment) for loans and other assets	(29)	(37)	(1)	7	(4)	(24)	(88)
Operating profit after allowances and amortisation	273	468	101	94	120	(52)	1,004
Other information:							
Capital expenditure	10	1	0	2	11	80	104
Depreciation	10	3	0	15	1	46	75
2Q15							
Total income	681	783	157	211	371	18	2,221
Operating profit before allowances and amortisation	289	529	91	104	315	(25)	1,303
Amortisation of intangible assets	(2)	–	–	(11)	(11)	–	(24)
Write-back/(allowances and impairment) for loans and other assets	(22)	(34)	(2)	0	(1)	(21)	(80)
Operating profit after allowances and amortisation	265	495	89	93	303	(46)	1,199
Other information:							
Capital expenditure	10	3	0	4	11	53	81
Depreciation	9	3	1	14	1	45	73
1Q16							
Total income	669	816	180	208	177	10	2,060
Operating profit before allowances and amortisation	279	562	115	96	122	(37)	1,137
Amortisation of intangible assets	(2)	–	–	(10)	(12)	–	(24)
Write-back/(allowances and impairment) for loans and other assets	(24)	(55)	3	(12)	(4)	(75)	(167)
Operating profit after allowances and amortisation	253	507	118	74	106	(112)	946
Other information:							
Capital expenditure	9	0	0	3	15	54	81
Depreciation	10	2	1	15	1	47	76

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
At 30 June 2016							
Segment assets	88,999	107,175	79,521	39,194	69,264	26,748	410,901
Unallocated assets							763
Elimination							(15,989)
Total assets							395,675
Segment liabilities	101,888	102,456	49,656	32,325	60,713	24,028	371,066
Unallocated liabilities							2,251
Elimination							(15,989)
Total liabilities							357,328
Other information:							
Gross non-bank loans	76,067	101,604	1,934	25,135	51	694	205,485
NPAs	452	1,843	–	180	7	6	2,488
At 31 March 2016							
Segment assets	85,380	111,622	71,353	40,440	68,946	26,164	403,905
Unallocated assets							785
Elimination							(15,397)
Total assets							389,293
Segment liabilities	99,021	101,871	47,188	33,379	60,252	22,860	364,571
Unallocated liabilities							2,353
Elimination							(15,397)
Total liabilities							351,527
Other information:							
Gross non-bank loans	73,243	105,774	2,115	26,167	53	729	208,081
NPAs	432	1,612	–	165	6	6	2,221
At 31 December 2015							
Segment assets	83,185	115,267	69,800	42,663	66,652	27,295	404,862
Unallocated assets							775
Elimination							(15,447)
Total assets							390,190
Segment liabilities	96,068	107,917	42,605	35,047	57,992	26,569	366,198
Unallocated liabilities							2,328
Elimination							(15,447)
Total liabilities							353,079
Other information:							
Gross non-bank loans	71,846	107,868	2,146	28,145	53	607	210,665
NPAs	366	1,504	–	157	6	6	2,039
At 30 June 2015							
Segment assets	81,943	117,514	76,561	43,766	66,692	26,797	413,273
Unallocated assets							602
Elimination							(14,861)
Total assets							399,014
Segment liabilities	91,787	107,542	50,559	37,689	57,790	30,389	375,756
Unallocated liabilities							2,459
Elimination							(14,861)
Total liabilities							363,354
Other information:							
Gross non-bank loans	70,799	109,176	1,967	27,421	31	752	210,146
NPAs	364	998	–	118	5	9	1,494

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	1H16		1H15		2Q16		2Q15		1Q16	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
Total income										
Singapore	2,352	57	2,561	59	1,152	56	1,333	60	1,200	58
Malaysia	655	16	694	16	340	16	346	15	315	15
Indonesia	358	9	263	6	181	9	129	6	177	9
Greater China	605	15	661	15	301	15	339	15	304	15
Other Asia Pacific	69	2	73	2	37	2	37	2	32	2
Rest of the World	69	1	77	2	37	2	37	2	32	1
	4,108	100	4,329	100	2,048	100	2,221	100	2,060	100
Profit before income tax										
Singapore	1,082	50	1,447	57	507	46	749	57	575	55
Malaysia	404	19	402	16	214	19	192	15	190	18
Indonesia	137	6	101	4	76	7	47	4	61	6
Greater China	475	22	489	19	253	23	252	19	222	21
Other Asia Pacific	42	2	47	2	29	3	25	2	13	1
Rest of the World	19	1	51	2	28	2	36	3	(9)	(1)
	2,159	100	2,537	100	1,107	100	1,301	100	1,052	100

	30 Jun 2016		31 Mar 2016		31 Dec 2015		30 Jun 2015	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
Total assets								
Singapore	222,031	56	216,958	56	214,358	55	216,168	54
Malaysia	62,805	16	63,024	16	59,952	15	65,854	17
Indonesia	13,214	3	12,397	3	12,604	3	12,168	3
Greater China	69,664	18	68,652	18	71,512	18	79,456	20
Other Asia Pacific	10,801	3	10,979	3	10,665	3	9,089	2
Rest of the World	17,160	4	17,283	4	21,099	6	16,279	4
	395,675	100	389,293	100	390,190	100	399,014	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2Q16, Singapore accounted for 56% of total income and 46% of pre-tax profit, while Malaysia accounted for 16% of total income and 19% of pre-tax profit. Greater China accounted for 15% of total income and 23% of pre-tax profit.

Pre-tax profit for Singapore was S\$507 million in 2Q16, a decline from S\$749 million a year ago, as higher fee and net trading income were more than offset by lower net interest income and profit from life assurance. Malaysia's pre-tax profit was up 11% at S\$214 million from S\$192 million in 2Q15, mainly attributable to lower allowances. Pre-tax profit for Greater China was S\$253 million in 2Q16, unchanged from a year ago.

1H16 pre-tax profit for Singapore was S\$1.08 billion, 25% lower from S\$1.45 billion in 1H15, as net interest income growth and higher net trading income were offset by an increase in operating expenses and allowances. Malaysia's pre-tax profit was S\$404 million for the period, unchanged from a year ago. Pre-tax profit for Greater China was S\$475 million, a decline of 3% from S\$489 million in 1H15, as an increase in associates' profits were offset by a decline in net interest income.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

S\$ million	1H16	1H15	+ / (-)	2Q16	2Q15	+ / (-)	1Q16	+ / (-)
			%			%		%
Interest income	4,250	4,213	1	2,094	2,105	(1)	2,156	(3)
Interest expense	(1,683)	(1,682)	–	(834)	(823)	1	(849)	(2)
Net interest income	2,567	2,531	1	1,260	1,282	(2)	1,307	(4)
Premium income	4,276	3,504	22	2,178	1,719	27	2,098	4
Investment income	874	1,568	(44)	544	819	(34)	330	65
Net claims, surrenders and annuities	(2,368)	(2,466)	(4)	(1,205)	(1,203)	–	(1,163)	4
Change in life assurance fund contract liabilities	(2,005)	(1,574)	27	(1,064)	(846)	26	(941)	13
Commission and others	(586)	(701)	(16)	(345)	(357)	(3)	(241)	43
Profit from life assurance	191	331	(42)	108	132	(19)	83	29
Premium income from general insurance	77	80	(3)	38	42	(8)	39	(1)
Fees and commissions (net)	791	833	(5)	417	438	(5)	374	11
Dividends	38	50	(24)	27	37	(28)	11	140
Rental income	45	51	(12)	22	25	(12)	23	(2)
Other income	399	453	(12)	176	265	(34)	223	(21)
Non-interest income	1,541	1,798	(14)	788	939	(16)	753	5
Total income	4,108	4,329	(5)	2,048	2,221	(8)	2,060	(1)
Staff costs	(1,161)	(1,119)	4	(583)	(575)	1	(578)	1
Other operating expenses	(694)	(672)	3	(349)	(343)	2	(345)	1
Total operating expenses	(1,855)	(1,791)	4	(932)	(918)	1	(923)	1
Operating profit before allowances and amortisation	2,253	2,538	(11)	1,116	1,303	(14)	1,137	(2)
Amortisation of intangible assets	(48)	(48)	(1)	(24)	(24)	(1)	(24)	(1)
Allowances for loans and impairment for other assets	(255)	(144)	77	(88)	(80)	9	(167)	(48)
Operating profit after allowances and amortisation	1,950	2,346	(17)	1,004	1,199	(16)	946	6
Share of results of associates	209	191	9	103	102	–	106	(4)
Profit before income tax	2,159	2,537	(15)	1,107	1,301	(15)	1,052	5
Income tax expense	(340)	(376)	(10)	(181)	(191)	(5)	(159)	14
Profit for the period	1,819	2,161	(16)	926	1,110	(17)	893	4
Profit attributable to:								
Equity holders of the Bank	1,741	2,041	(15)	885	1,048	(15)	856	4
Non-controlling interests	78	120	(35)	41	62	(35)	37	7
	1,819	2,161	(16)	926	1,110	(17)	893	4
Earnings per share (for the period – cents)								
Basic	41.5	50.5		21.0	25.6		20.6	
Diluted	41.5	50.4		21.0	25.5		20.6	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

S\$ million	1H16	1H15	+ / (-) %	2Q16	2Q15	+ / (-) %	1Q16	+ / (-) %
Profit for the period	1,819	2,161	(16)	926	1,110	(17)	893	4
Other comprehensive income:								
Available-for-sale financial assets								
Gains/(losses) for the period	157	272	(42)	54	21	160	103	(47)
Reclassification of (gains)/losses to income statement								
– on disposal	(102)	(209)	51	(43)	(166)	74	(59)	27
– on impairment	24	0	nm	20	0	nm	4	376
Tax on net movements	(3)	(13)	80	(4)	27	(115)	1	(376)
Exchange differences on translating foreign operations	(205)	(144)	(43)	(60)	(248)	76	(145)	58
Defined benefit plans remeasurements ^{1/}	0	4	(91)	0	(1)	136	0	235
Other comprehensive income of associates	(148)	47	(423)	(53)	(27)	(93)	(95)	44
Total other comprehensive income, net of tax	(277)	(43)	(549)	(86)	(394)	78	(191)	54
Total comprehensive income for the period, net of tax	1,542	2,118	(27)	840	716	17	702	19
Total comprehensive income attributable to:								
Equity holders of the Bank	1,463	2,018	(28)	795	687	16	668	19
Non-controlling interests	79	100	(21)	45	29	53	34	33
	1,542	2,118	(27)	840	716	17	702	19

Note:

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

BALANCE SHEETS (UNAUDITED)

S\$ million	GROUP				BANK			
	30 Jun 2016 [@]	31 Mar 2016 [@]	31 Dec 2015	30 Jun 2015 [@]	30 Jun 2016 [@]	31 Mar 2016 [@]	31 Dec 2015	30 Jun 2015 [@]
EQUITY								
Attributable to equity holders of the Bank								
Share capital	15,106	14,518	14,560	14,339	15,106	14,518	14,560	14,339
Other equity instruments	499	499	499	–	499	499	499	–
Capital reserves	512	573	527	513	102	98	95	98
Fair value reserves	310	286	234	428	129	131	38	150
Revenue reserves	19,348	19,336	18,733	17,668	12,035	11,894	11,545	11,145
	35,775	35,212	34,553	32,948	27,871	27,140	26,737	25,732
Non-controlling interests	2,572	2,554	2,558	2,712	–	–	–	–
Total equity	38,347	37,766	37,111	35,660	27,871	27,140	26,737	25,732
LIABILITIES								
Deposits of non-bank customers	246,274	242,293	246,277	246,424	153,044	149,552	154,168	152,049
Deposits and balances of banks	14,035	13,846	12,047	16,924	12,106	11,748	10,166	13,619
Due to subsidiaries	–	–	–	–	9,899	9,793	9,963	8,527
Due to associates	395	356	334	331	142	133	144	144
Trading portfolio liabilities	521	624	645	528	495	624	645	528
Derivative payables	6,772	6,599	6,069	5,237	5,625	5,445	4,740	4,152
Other liabilities	5,338	5,269	4,907	5,282	1,598	1,594	1,506	1,508
Current tax	979	1,066	1,000	1,049	448	495	403	442
Deferred tax	1,271	1,287	1,327	1,410	50	50	52	54
Debt issued	22,062	20,914	23,479	29,287	22,263	21,679	23,437	29,511
	297,647	292,254	296,085	306,472	205,670	201,113	205,224	210,534
Life assurance fund liabilities	59,681	59,273	56,994	56,882	–	–	–	–
Total liabilities	357,328	351,527	353,079	363,354	205,670	201,113	205,224	210,534
Total equity and liabilities	395,675	389,293	390,190	399,014	233,541	228,253	231,961	236,266
ASSETS								
Cash and placements with central banks	15,793	17,138	21,180	18,738	10,289	12,420	15,646	11,507
Singapore government treasury bills and securities	9,058	8,799	8,635	10,430	8,764	8,512	8,339	9,614
Other government treasury bills and securities	16,996	15,142	12,366	11,298	9,620	7,836	6,794	5,045
Placements with and loans to banks	43,663	35,705	35,791	45,366	34,999	28,406	28,953	31,423
Loans and bills receivable	202,521	205,169	208,218	207,828	124,096	126,665	128,630	130,181
Debt and equity securities	22,768	22,382	22,786	24,351	11,567	11,613	11,355	13,477
Assets pledged	1,974	1,889	1,452	1,795	867	895	1,008	841
Assets held for sale	8	1	6	2	8	–	2	–
Derivative receivables	6,595	6,940	6,248	5,342	5,509	5,876	4,915	4,218
Other assets	4,957	4,796	4,342	4,906	1,786	1,443	1,487	1,503
Deferred tax	140	133	135	126	52	51	41	44
Associates	2,209	2,294	2,248	2,306	596	595	596	599
Subsidiaries	–	–	–	–	22,349	20,986	21,231	24,853
Property, plant and equipment	3,344	3,386	3,467	3,386	626	532	536	520
Investment property	1,147	1,135	1,138	1,141	546	556	561	574
Goodwill and intangible assets	5,046	5,070	5,195	5,136	1,867	1,867	1,867	1,867
	336,219	329,979	333,207	342,151	233,541	228,253	231,961	236,266
Life assurance fund investment assets	59,456	59,314	56,983	56,863	–	–	–	–
Total assets	395,675	389,293	390,190	399,014	233,541	228,253	231,961	236,266
Net Asset Value Per Ordinary Share[@] (before valuation surplus – S\$)								
	8.19	8.20	8.03	7.80	6.30	6.24	6.13	6.01
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	8,552	8,705	9,610	10,302	6,047	6,256	6,705	7,571
Commitments ^{2/}	110,400	113,638	115,572	106,649	60,300	64,388	63,993	59,524
Derivative financial instruments	635,540	640,422	635,578	619,167	543,238	547,200	519,642	502,906

Notes:

- "@" represents unaudited.
- Comparative figures have been restated to conform with the current period's presentation.

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the half year ended 30 June 2016

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 January 2016	15,059	527	234	18,733	34,553	2,558	37,111
Total comprehensive income for the period	–	–	76	1,387	1,463	79	1,542
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	3	–	(3)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(65)	(65)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Distribution for perpetual capital securities	–	–	–	(10)	(10)	–	(10)
Ordinary and preference dividends	–	–	–	(177)	(177)	–	(177)
Share-based staff costs capitalised	–	7	–	–	7	–	7
Share buyback held in treasury	(112)	–	–	–	(112)	–	(112)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	43	–	–	43	–	43
Treasury shares transferred/sold	73	(65)	–	–	8	–	8
Total contributions by and distributions to owners	546	(15)	–	(772)	(241)	(65)	(306)
Balance at 30 June 2016	15,605	512	310	19,348	35,775	2,572	38,347
Included:							
Share of reserves of associates	–	–	67	562	629	(0)	629
Balance at 1 January 2015	13,752	518	366	16,461	31,097	3,088	34,185
Total comprehensive income for the period	–	–	62	1,956	2,018	100	2,118
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	5	–	(5)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(76)	(76)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Redemption of preference shares issued by a subsidiary	–	–	–	–	–	(400)	(400)
Ordinary and preference dividends	–	–	–	(153)	(153)	–	(153)
Share-based staff costs capitalised	–	6	–	–	6	–	6
Share buyback held in treasury	(87)	–	–	–	(87)	–	(87)
Shares issued in-lieu of ordinary dividends	593	–	–	(593)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(2)	–	–	(2)	–	(2)
Shares vested under DSP Scheme	–	38	–	–	38	–	38
Treasury shares transferred/sold	80	(52)	–	–	28	–	28
Total contributions by and distributions to owners	587	(5)	–	(749)	(167)	(476)	(643)
Balance at 30 June 2015	14,339	513	428	17,668	32,948	2,712	35,660
Included:							
Share of reserves of associates	–	–	46	420	466	(3)	463

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the three months ended 30 June 2016

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 April 2016	15,017	573	286	19,336	35,212	2,554	37,766
Total comprehensive income for the period	–	–	24	771	795	45	840
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	0	–	(0)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(27)	(27)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary and preference dividends	–	–	–	(177)	(177)	–	(177)
Share-based staff costs capitalised	–	4	–	–	4	–	4
Share buyback held in treasury	(62)	–	–	–	(62)	–	(62)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	3	–	–	3	–	3
Treasury shares transferred/sold	65	(65)	–	–	0	–	0
Total contributions by and distributions to owners	588	(61)	–	(759)	(232)	(27)	(259)
Balance at 30 June 2016	15,605	512	310	19,348	35,775	2,572	38,347
Included:							
Share of reserves of associates	–	–	67	562	629	(0)	629
Balance at 1 April 2015	13,726	555	517	17,641	32,439	2,711	35,150
Total comprehensive income for the period	–	–	(89)	776	687	29	716
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	5	–	(5)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(28)	(28)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary and preference dividends	–	–	–	(153)	(153)	–	(153)
Share-based staff costs capitalised	–	3	–	–	3	–	3
Share buyback held in treasury	(45)	–	–	–	(45)	–	(45)
Shares issued in-lieu of ordinary dividends	593	–	–	(593)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(2)	–	–	(2)	–	(2)
Shares vested under DSP Scheme	–	4	–	–	4	–	4
Treasury shares transferred/sold	64	(52)	–	–	12	–	12
Total contributions by and distributions to owners	613	(42)	–	(749)	(178)	(28)	(206)
Balance at 30 June 2015	14,339	513	428	17,668	32,948	2,712	35,660
Included:							
Share of reserves of associates	–	–	46	420	466	(3)	463

STATEMENT OF CHANGES IN EQUITY – BANK (UNAUDITED)

For the half year ended 30 June 2016

S\$ million	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2016	15,059	95	38	11,545	26,737
Total comprehensive income for the period	–	–	91	1,259	1,350
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(177)	(177)
Distribution for perpetual capital securities	–	–	–	(10)	(10)
Share-based staff costs capitalised	–	7	–	–	7
Share buyback held in treasury	(112)	–	–	–	(112)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	73	–	–	–	73
Balance at 30 June 2016	15,605	102	129	12,035	27,871
Balance at 1 January 2015	13,752	92	168	10,714	24,726
Total comprehensive income for the period	–	–	(18)	1,175	1,157
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(153)	(153)
Share-based staff costs capitalised	–	6	–	–	6
Share buyback held in treasury	(87)	–	–	–	(87)
Shares issued in-lieu of ordinary dividends	593	–	–	(593)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	80	–	–	–	80
Balance at 30 June 2015	14,339	98	150	11,145	25,732

For the three months ended 30 June 2016

S\$ million	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 April 2016	15,017	98	131	11,894	27,140
Total comprehensive income for the period	–	–	(2)	900	898
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(177)	(177)
Share-based staff costs capitalised	–	4	–	–	4
Share buyback held in treasury	(62)	–	–	–	(62)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	65	–	–	–	65
Balance at 30 June 2016	15,605	102	129	12,035	27,871
Balance at 1 April 2015	13,726	95	164	11,224	25,209
Total comprehensive income for the period	–	–	(14)	665	651
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(153)	(153)
Share-based staff costs capitalised	–	3	–	–	3
Share buyback held in treasury	(45)	–	–	–	(45)
Shares issued in-lieu of ordinary dividends	593	–	–	(593)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	64	–	–	–	64
Balance at 30 June 2015	14,339	98	150	11,145	25,732

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 30 June 2016

S\$ million	1H16	1H15	2Q16	2Q15
Cash flows from operating activities				
Profit before income tax	2,159	2,537	1,107	1,301
Adjustments for non-cash items:				
Amortisation of intangible assets	48	48	24	24
Allowances for loans and impairment for other assets	255	144	88	80
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	(38)	(5)	(2)	19
Depreciation of property, plant and equipment and investment property	151	144	75	73
Net gain on disposal of property, plant and equipment and investment property	(27)	(9)	(7)	(6)
Net gain on disposal of government, debt and equity securities	(103)	(209)	(44)	(166)
Net loss on disposal of interests in a subsidiary	19	–	19	–
Share-based costs	7	6	4	4
Share of results of associates	(209)	(191)	(103)	(102)
Items relating to life assurance fund				
Surplus before income tax	179	501	145	212
Surplus transferred from life assurance fund	(191)	(331)	(108)	(132)
Operating profit before change in operating assets and liabilities	2,250	2,635	1,198	1,307
Change in operating assets and liabilities:				
Deposits of non-bank customers	57	942	4,020	(3,882)
Deposits and balances of banks	1,988	(3,579)	188	(1,591)
Derivative payables and other liabilities	972	(1,065)	268	(2,585)
Trading portfolio liabilities	(123)	(179)	(102)	(128)
Government securities and treasury bills	(5,088)	618	(2,167)	10
Restricted balances with central banks	238	1,032	(449)	215
Trading and fair value through profit and loss securities	(451)	(879)	(72)	(191)
Placements with and loans to banks	(7,798)	(4,008)	(8,000)	(112)
Loans and bills receivable	4,999	(421)	2,503	(72)
Derivative receivables and other assets	(291)	338	188	1,953
Net change in investment assets and liabilities of life assurance fund	188	17	191	128
Cash used in operating activities	(3,059)	(4,549)	(2,234)	(4,948)
Income tax paid	(352)	(291)	(241)	(201)
Net cash used in operating activities	(3,411)	(4,840)	(2,475)	(5,149)
Cash flows from investing activities				
Dividends from associates	25	0	24	0
Decrease/(increase) in associates	147	(19)	53	58
Purchases of debt and equity securities	(6,277)	(5,600)	(3,270)	(2,479)
Purchases of property, plant and equipment and investment property	(185)	(134)	(104)	(81)
Proceeds from disposal of debt and equity securities	6,401	5,450	3,210	2,397
Proceeds from disposal of interests in a subsidiary	23	–	23	–
Proceeds from disposal of property, plant and equipment and investment property	39	15	14	2
Net cash from/(used in) investing activities	173	(288)	(50)	(103)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(177)	(153)	(177)	(153)
Dividends paid to non-controlling interests	(65)	(76)	(27)	(28)
Issue of subordinated debt	–	–	–	–
Increase/(decrease) in other debt issued	(1,281)	389	1,133	4,110
Redemption of preference shares by a subsidiary	–	(400)	–	–
Distribution for perpetual capital securities	(10)	–	–	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	8	28	0	12
Share buyback held in treasury	(112)	(87)	(62)	(45)
Net cash (used in)/from financing activities	(1,637)	(299)	867	3,896
Net currency translation adjustments	(274)	(117)	(136)	(216)
Net change in cash and cash equivalents	(5,149)	(5,544)	(1,794)	(1,572)
Cash and cash equivalents at beginning of period	15,901	19,324	12,546	15,352
Cash and cash equivalents at end of period	10,752	13,780	10,752	13,780

SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

The following table shows movements in the issued ordinary shares of the Bank:

Number of Shares	Half year ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Issued ordinary shares				
Balance at beginning of period	4,121,561,367	3,992,929,319	4,121,561,367	3,992,929,319
Shares issued to non-executive directors	57,584	67,694	57,584	67,694
Shares issued pursuant to Scrip Dividend Scheme	72,110,412	62,210,985	72,110,412	62,210,985
Balance at end of period	4,193,729,363	4,055,207,998	4,193,729,363	4,055,207,998
Treasury shares				
Balance at beginning of period	(6,085,703)	(9,043,268)	(10,744,339)	(10,752,797)
Share buyback	(12,964,000)	(8,330,000)	(7,200,000)	(4,350,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	1,200,573	2,805,341	99,370	712,819
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	22,637	870,120	18,476	692,171
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	7,151,688	4,762,043	7,151,688	4,762,043
Balance at end of period	(10,674,805)	(8,935,764)	(10,674,805)	(8,935,764)
Total	4,183,054,558	4,046,272,234	4,183,054,558	4,046,272,234

Pursuant to the share purchase mandates approved at the extraordinary general meeting held on 28 April 2015 and at the annual general meeting held on 22 April 2016, the Bank purchased a total of 7,200,000 ordinary shares in the second quarter ended 30 June 2016. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S\$8.24 to S\$9.09 per share and the total consideration paid was S\$61,859,221 (including transaction costs).

From 1 April 2016 to 30 June 2016 (both dates inclusive), the Bank utilised 99,370 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 ("SOS 2001"). As of 30 June 2016, the number of options outstanding under the OCBC SOS 2001 was 41,955,607 (30 June 2015: 36,206,024).

From 1 April 2016 to 30 June 2016 (both dates inclusive), the Bank utilised 18,476 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to the OCBC Employee Share Purchase Plan ("ESPP"). As of 30 June 2016, the number of acquisition rights outstanding under the OCBC ESPP was 11,967,394 (30 June 2015: 12,219,886).

From 1 April 2016 to 30 June 2016 (both dates inclusive), the Bank transferred 7,151,688 treasury shares to the Trust administering the OCBC Deferred Share Plan following the Bank's award of deferred shares to employees of the Group.

72,110,412 ordinary shares were issued on 14 June 2016 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the final tax exempt dividend of 18 cents per ordinary share in the capital of OCBC Bank for the financial year ended 31 December 2015.

No new preference shares were allotted and issued by the Bank in the second quarter ended 30 June 2016.

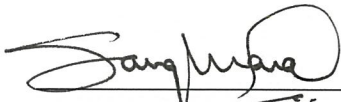
OTHER MATTERS

1. The Bank has not obtained a general mandate from shareholders for Interested Party Transactions pursuant to Rule 920(1) of the Listing Manual.
2. The Bank has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual pursuant to Rule 720(1) of the Listing Manual.

CONFIRMATION BY THE BOARD

We, Ooi Sang Kuang and Samuel N. Tsien, being directors of Oversea-Chinese Banking Corporation Limited (“the Bank”), do hereby confirm on behalf of the Board of Directors of the Bank, that to the best of our knowledge, nothing has come to our attention which may render the unaudited financial results of the Bank and of the Group for the quarter ended 30 June 2016 to be false or misleading.

On behalf of the Board of Directors



Ooi Sang Kuang
Chairman



Samuel N. Tsien
Chief Executive Officer / Director

27 July 2016