Media Release

OCBC Group Full Year 2017 Net Profit rose 19% to S$4.15 billion

Fourth quarter earnings of S$1.03 billion increased 31% from the previous year

Proposed final dividend of 19 cents, up from 18 cents a year ago

Singapore, 14 February 2018 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$4.15 billion for the financial year ended 31 December 2017 ("FY17"), an increase of 19% from S$3.47 billion a year ago ("FY16"). This is the first time OCBC Bank's reported net profit surpassed the S$4 billion mark. The strong performance was driven by sustained growth momentum across the Group's three business pillars: banking, wealth management and insurance businesses.

Total income rose 14% over the prior year to exceed S$9.6 billion.

Net interest income rose 7% from the previous year to S$5.42 billion on the back of strong asset growth. As at 31 December 2017, customer loans increased 8% to S$237 billion, underpinned by broad-based growth across key customer and geographical segments. Full year net interest margin ("NIM") of 1.65% declined 2 basis points from 1.67% a year ago, as lower loan yields more than offset higher gapping income from money market activities. Nevertheless, NIM had been rising for each consecutive quarter in 2017.

Non-interest income increased 23% to S$4.21 billion from S$3.44 billion a year ago. Fee and commission income climbed 19% to S$1.95 billion, lifted by a 45% increase in wealth management fee income. Investment banking, fund management and trade-related fees were also higher year-on-year. Net trading income, mainly comprising treasury-related income from customer flows, was S$515 million as compared to S$529 million a year ago, while net gains from the sale of investment securities more than doubled to S$431 million. Profit from life assurance of S$877 million was considerably higher than S$499 million in FY16, as Great Eastern Holdings achieved strong underlying business growth and higher investment income from realised gains and favourable market conditions.

Operating expenses of S$4.03 billion were 6% above the previous year, mainly attributed to higher staff costs and a rise in expenses to support the Group's business expansion. This included the full year cost impact from the consolidation of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong, which was acquired in November 2016. The Group's cost-to-income ratio improved to 41.9% from 44.6% in FY16. Net allowances for loans and other assets were S$671 million, 7% lower as compared to S$726 million a year ago.

The Group's share of results of associates for FY17 was S$389 million as compared to S$396 million the previous year.

For FY17, the Group's return on equity rose to 11.2% from 10.0% a year ago, while earnings per share increased to 97.6 cents from 82.2 cents.

Fourth Quarter Performance

Net profit after tax for the fourth quarter of 2017 ("4Q17") of S$1.03 billion was 31% above S$789 million a year ago ("4Q16").

Net interest income grew 14% to S$1.42 billion, contributed by an 11% rise in average interest earning assets and a 4 basis points increase in NIM to 1.67%. Non-interest income was 30% higher at S$1.21 billion. Fees and commissions increased 17%, led by higher income generated from wealth management and investment banking activities. Net gains from the sale of investment securities were higher at S$249 million, while net trading income was 19% lower at S$99 million for the quarter. Profit from life assurance climbed 80% year-on-year to S$259 million.

In November 2017, the Group completed the acquisition of National Australia Bank's private wealth business in Singapore and Hong Kong, which added S$2.06 billion in loans and S$2.42 billion in deposits to the OCBC franchise.

Operating expenses grew 9% to S$1.07 billion in line with increased business volumes. The cost-to-income ratio improved significantly from 45.1% a year ago to 40.6%, as a 21% growth in total income outpaced cost increase. Net allowances for loans and other assets were S$178 million as compared to S$305 million a year ago.

Against the previous quarter ("3Q17"), net profit after tax was 2% lower, as a 15% rise in operating profit was more than offset by lower contributions from the Group's associated companies.

Allowances and Asset Quality

Total net allowances for loans and other assets were 7% lower at S$671 million, as compared to S$726 million a year ago.

Despite the rise in oil prices reported towards the end of 2017, the charter rates and asset values of the offshore support services and vessels ("OSV") in the oil and gas industry continued to be depressed. Given the prolonged uncertainty and the lack of firm visibility in the OSV sector, the Group took a prudent stance to further downgrade its OSV exposures and made appropriate allowances. These significantly accounted for both the rise in non-performing loans ("NPLs") from S$2.78 billion a year ago to S$3.42 billion, and the majority of the S$1.41 billion in specific allowances made during the year. In 4Q17, the Group applied S$887 million of cumulative portfolio allowances to cater for additional specific allowances. The Group continued to maintain portfolio allowances at the prudent level of S$1.42 billion, which were sufficient to meet existing regulatory obligations. As at 31 December 2017, total allowances represented 313% of unsecured non-performing assets.

Apart from the OSV sector, the rest of the Group's loan portfolio remained sound. The overall NPL ratio remained low at 1.45%, being 0.19 percentage points higher than 1.26% a year ago.

From 1 January 2018, the Group is able to comply with the requirements of "Singapore Financial Reporting Standard (International) ("SFRS(I)") 9: Financial Instruments" and the revised MAS612 with the current level of total allowances. The Group will make the necessary disclosures from its first quarter 2018 results onwards.

Funding, Liquidity and Capital Position

The Group's funding, liquidity and capital position continued to be resilient. Customer loans of S$237 billion were up 8% from S$220 billion the previous year, driven by growth across the corporate and consumer segments. Customer deposits rose 8% to S$284 billion, underpinned by 4% growth in current account and savings account ("CASA") deposits, which made up 49.2% of total deposits. As at 31 December 2017, the loans-to-deposits ratio was 82.5%, relatively unchanged from 82.9% a year ago.

The Group's average Singapore dollar and all-currency liquidity coverage ratios (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon which will be included in due course) were 254% and 159% respectively for 4Q17, well above the respective regulatory ratios of 100% and 80%.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 31 December 2017 were 13.9%, 14.9% and 17.2% respectively. Based on Basel III transitional arrangements, these ratios remained well above the respective regulatory minima of 6.5%, 8% and 10%. The Group's CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, improved to 13.1% from 12.0% in the previous quarter. In addition to these minimum capital requirements, a Capital Conservation Buffer ("CCB") of 2.5% and Countercyclical Buffer of up to 2.5% are being phased in from 2016 to 2019. The CCB was 1.25% as at 1 January 2017, and would be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.3% was above the 3% minimum regulatory requirement.

Subsidiaries' Full Year Results

Great Eastern Holdings achieved a net profit after tax of S$1.16 billion for the year, significantly above S$589 million in FY16. Its robust year-on-year performance was driven by higher operating profit from its insurance business and strong performance in its investment portfolio as a result of favourable market conditions. Total weighted new sales and new business embedded value grew 23% and 17% respectively from a year ago. Great Eastern Holdings' contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, rose from S$470 million to S$968 million, contributing 23% of the Group's earnings.

OCBC Bank Malaysia reported a 17% rise in FY17 net profit after tax of RM949 million (S$305 million), underpinned by a rise in net interest income and non-interest income, and from a decline in allowances. As at 31 December 2017, customer loans were RM68 billion (S$22 billion) while customer deposits were RM74 billion (S$24 billion). Asset quality remained healthy, with the NPL ratio down at 2.1% from 2.2% a year ago.

OCBC NISP's net profit after tax rose 22% to IDR2,176 billion (S$224 million), driven by broad-based income growth which more than offset a rise in operating expenses. Customer loans were up 14% over the previous year at IDR106 trillion (S$10 billion), while the NPL ratio was lower at 1.8%. As at 31 December 2017, customer deposits of IDR113 trillion (S$11 billion) were 10% higher than a year ago.

OCBC Wing Hang's full year net profit after tax was 18% higher at HK$2.41 billion (S$425 million), driven by increases in both net interest and non-interest income. Customer loans rose 11% to HK$180 billion (S$31 billion) and the NPL ratio improved to 0.5% from 0.9% a year ago, while deposits increased 15% to HK$222 billion (S$38 billion).

Bank of Singapore's assets under management as at 31 December 2017 increased 25% to US$99 billion (S$132 billion) from US$79 billion (S$115 billion) a year ago, driven by sustained net new money inflows and improved market valuations. Its earnings asset base, which included secured loans, likewise rose 25% to US$121 billion (S$161 billion) from US$97 billion (S$140 billion) the previous year.

The Group's FY17 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 43% to a new high of S$3.25 billion. As a proportion of the Group's total income, wealth management income contributed 34%, as compared to 27% in FY16.

Final Dividend

The Board has proposed a final tax-exempt dividend of 19 cents per share, an increase from 18 cents per share the previous year, bringing the FY17 total dividend to 37 cents per share, up from 36 cents in FY16. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total dividend payout will amount to S$1.55 billion, an increase of 2.86% over the prior year and representing 37% of the Group's core underlying net profit in 2017.

CEO's Comments

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

"Our 2017 results again underscored the solid fundamentals and continued strength of our diversified franchise. Sustained growth momentum across our banking, wealth management and insurance business lines delivered record earnings. Loan growth was broad-based, fee income climbed and insurance sales rose strongly, and we further strengthened our capital, liquidity and funding position.

Given the continued weakness observed in the OSV sector of the oil and gas industry, we prudently made additional specific allowances to reflect the challenging operating conditions and the uncertain market outlook. Apart from the stress in the offshore oil and gas support services portfolio, the credit quality of the overall loan portfolio remained sound.

Sentiments in the region have on the whole been lifted by strong economic indicators and improved business confidence, which have spurred renewed optimism in our key markets. However, there continued to be geo-political events and financial market volatilities that we would need to remain watchful of. Against this generally positive market outlook, we will continue to drive growth across our diversified business lines, invest in our franchise and are well-placed to deliver sustainable performance to our shareholders and customers."

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 is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore and the Asia Pacific by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 600 branches and representative offices in 18 countries and regions. These include over 330 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macao 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

For more information, please contact:

Koh Ching Ching
Head
Group Corporate Communications
OCBC Bank

Tel: (65) 6530 1531
Fax: (65) 6535 7477

Collins Chin
Head
Investor Relations
OCBC Bank

Tel: (65) 6679 5008
Fax: (65) 6532 6001

To Our Shareholders

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

Audited Financial Results for the Financial Year Ended 31 December 2017

For the financial year ended 31 December 2017, Group reported net profit after tax was S$4.15 billion. Details of the audited financial results are in the accompanying Group Financial Report.

Ordinary Dividend

A final tax exempt dividend of 19 cents per share has been recommended for the financial year 2017. Including the interim net dividend of 18 cents per share paid in August 2017, total dividends for financial year 2017 would amount to 37 cents per share.

Closure of Books

The books closure date is 22 May 2018. Please refer to the separate announcement titled "Notice of Books Closure and Payment of Final One-Tier Tax Exempt Dividend on Ordinary Shares for the Financial Year Ended 31 December 2017" 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 final dividend.

Preference Dividend

On 20 December 2017, the Bank paid semi-annual tax exempt dividend on its Class M non-cumulative non-convertible preference shares at 4.0% (2016: 4.0%) per annum. Total amount of dividend paid was S$20.1 million.

Peter Yeoh
Secretary

Singapore, 14 February 2018

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

Oversea-Chinese Banking Corporation Limited

Financial Year 2017 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 revised financial reporting standards and interpretations were applied with effect from 1 January 2017:

FRS 7 (Amendments)	*Statement of Cash Flows: Disclosure Initiatives*
FRS 12 (Amendments)	*Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
Various	*Improvements to FRSs (December 2016)*

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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 9: Financial Instruments. SFRS(I) 9 is effective from 1 January 2018.

The Group expects that:

- Financial assets measured at FVTPL will continue to be substantially measured at FVTPL under SFRS(I) 9;
- Debt securities measured at available-for-sale will be substantially measured at FVOCI except for some securities which might be measured at amortised cost or FVTPL because of the business model or their underlying contractual cash flow characteristics;
- Loans and advances and reverse repurchase agreements that are classified as loans and receivables will be substantially measured at amortised cost except for some loans and receivables which might be measured at FVTPL because of their underlying contractual cash flow;
- Equity securities held for trading purposes will continue to be classified at FVTPL. Equity securities not held for trading purposes are either classified at FVTPL or FVOCI, subject to an irrevocable election in accordance with SFRS(I) 9.

The Group plans to apply new hedge accounting requirements prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

Credit loss allowances under SFRS(I) 9 will be determined in accordance with the expected credit loss ("ECL") impairment model and any shortfall from the revised MAS 612 requirements will be set aside as a non-distributable regulatory loss allowance reserve through an appropriation of retained earnings as described by MAS. The Group is currently finalising its testing of the ECL model and the 1 January 2018 opening adjustments may be different, and will make the necessary disclosures from its first quarter 2018 results onwards.

FINANCIAL SUMMARY *(continued)*

Financial Results

The Group reported a net profit after tax of S$4.15 billion for the financial year ended 31 December 2017 ("FY17"), 19% higher as compared with S$3.47 billion a year ago ("FY16").

Net interest income rose 7% to S$5.42 billion from S$5.05 billion a year ago, driven by strong asset growth. Non-interest income increased 23%, an increase from S$3.44 billion in FY16 to S$4.21 billion in FY17. Fee and commission income grew 19% year-on-year to S$1.95 billion, underpinned by higher wealth management income, investment banking, fund management and trade-related fees. Profit from life assurance was up 76% to S$877 million from S$499 million a year ago, as Great Eastern Holdings ("GEH") achieved strong underlying business growth and improved investment performance.

Operating expenses increased by 6% to S$4.03 billion in FY17, largely from higher staff costs and a rise in expenditure to support the Group's business expansion. Allowances for loans and other assets amounted to S$671 million, a 7% decrease as compared to S$726 million in FY16. The Group's non-performing loans ("NPL") ratio remained low at 1.45% as at 31 December 2017, being 0.19 percentage points higher than 1.26% a year ago.

Return on equity was 11.2% in FY17, above 10.0% a year ago. Earnings per share was 97.6 cents, up from 82.2 cents in FY16.

The Group net profit after tax for the fourth quarter of 2017 ("4Q17") was S$1.03 billion, an increase of 31% from S$789 million a year ago, and 2% lower than S$1.06 billion the previous quarter.

FINANCIAL SUMMARY *(continued)*

S$ million	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Selected Income Statement Items								
Net interest income	**5,423**	5,052	7	**1,424**	1,251	14	1,382	3
Non-interest income	**4,213**	3,437	23	**1,205**	926	30	978	23
Total income	**9,636**	8,489	14	**2,629**	2,177	21	2,360	11
Operating expenses	**(4,034)**	(3,788)	6	**(1,067)**	(981)	9	(1,001)	7
Operating profit before allowances and amortisation	**5,602**	4,701	19	**1,562**	1,196	31	1,359	15
Amortisation of intangible assets	**(104)**	(96)	8	**(26)**	(24)	5	(26)	–
Allowances for loans and impairment for other assets	**(671)**	(726)	(7)	**(178)**	(305)	(41)	(156)	15
Operating profit after allowances and amortisation	**4,827**	3,879	24	**1,358**	867	57	1,177	15
Share of results of associates	**389**	396	(2)	**28**	82	(66)	127	(78)
Profit before income tax	**5,216**	4,275	22	**1,386**	949	46	1,304	6
Net profit attributable to shareholders	**4,146**	3,473	19	**1,033**	789	31	1,057	(2)
Cash basis net profit attributable to shareholders [1/]	**4,250**	3,569	19	**1,059**	813	30	1,083	(2)
Selected Balance Sheet Items								
Ordinary equity	**37,509**	35,507	6	**37,509**	35,507	6	36,710	2
Total equity *(excluding non-controlling interests)*	**39,008**	37,007	5	**39,008**	37,007	5	38,210	2
Total assets	**454,938**	409,884	11	**454,938**	409,884	11	438,513	4
Assets excluding life assurance fund investment assets	**381,011**	347,911	10	**381,011**	347,911	10	369,243	3
Loans and bills receivable *(net of allowances)*	**234,141**	216,830	8	**234,141**	216,830	8	228,886	2
Deposits of non-bank customers	**283,642**	261,486	8	**283,642**	261,486	8	268,234	6

Note:
1. Excludes amortisation of intangible assets.

FINANCIAL SUMMARY *(continued)*

	2017	2016	4Q17	4Q16	3Q17
Key Financial Ratios					
Performance ratios (% p.a.)					
Return on equity [1/ 2/]					
SFRS[3/] basis	**11.2**	10.0	**10.9**	8.8	11.4
Cash basis	**11.5**	10.3	**11.2**	9.1	11.7
Return on assets [4/]					
SFRS[3/] basis	**1.14**	1.03	**1.09**	0.92	1.14
Cash basis	**1.17**	1.06	**1.11**	0.95	1.17
Revenue mix/efficiency ratios (%)					
Net interest margin	**1.65**	1.67	**1.67**	1.63	1.66
Net interest income to total income	**56.3**	59.5	**54.2**	57.5	58.6
Non-interest income to total income	**43.7**	40.5	**45.8**	42.5	41.4
Cost-to-income	**41.9**	44.6	**40.6**	45.1	42.4
Loans-to-deposits	**82.5**	82.9	**82.5**	82.9	85.3
NPL ratio	**1.5**	1.3	**1.5**	1.3	1.3
Earnings per share [2/] (cents)					
Basic earnings	**97.6**	82.2	**96.4**	73.6	98.7
Basic earnings (cash basis)	**100.0**	84.5	**98.8**	76.0	101.2
Diluted earnings	**97.4**	82.2	**96.1**	73.6	98.5
Net asset value per share (S$)					
Before valuation surplus	**8.96**	8.49	**8.96**	8.49	8.76
After valuation surplus	**11.33**	10.03	**11.33**	10.03	10.87
Capital adequacy ratios (%) [5/]					
Common Equity Tier 1	**13.9**	14.7	**13.9**	14.7	13.1
Tier 1	**14.9**	15.1	**14.9**	15.1	14.0
Total	**17.2**	17.1	**17.2**	17.1	16.2
Leverage ratio (%) [6/]	**7.3**	8.2	**7.3**	8.2	7.6
Liquidity coverage ratios (%) [8/]					
Singapore dollar	**262**	272	**254**	284	269
All-currency	**148**	132	**159**	145	147

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.
7. Return on equity, return on assets, net interest margin and earnings per share for the quarters are computed on an annualised basis.
8. The Group’s Liquidity coverage ratios (“LCR”) is computed based on MAS Notice 649 on Minimum Liquid Assets and Liquidity Coverage Ratio, and is reported based on the average LCR for the respective quarters.

NET INTEREST INCOME

Average Balance Sheet

S$ million	2017 Average Balance	2017 Interest	2017 Average Rate	2016 Average Balance	2016 Interest	2016 Average Rate
			%			%
Interest earning assets						
Loans and advances to non-bank customers	**225,150**	**6,845**	**3.04**	206,622	6,527	3.16
Placements with and loans to banks	**54,616**	**1,090**	**2.00**	50,596	772	1.52
Other interest earning assets	**49,026**	**1,183**	**2.41**	45,631	1,069	2.34
Total	**328,792**	**9,118**	**2.77**	302,849	8,368	2.76
Interest bearing liabilities						
Deposits of non-bank customers	**268,235**	**2,960**	**1.10**	247,818	2,723	1.10
Deposits and balances of banks	**11,065**	**142**	**1.28**	13,252	124	0.94
Other borrowings	**28,884**	**593**	**2.05**	21,678	469	2.16
Total	**308,184**	**3,695**	**1.20**	282,748	3,316	1.17
Net interest income/margin [1]		**5,423**	**1.65**		5,052	1.67

S$ million	4Q17 Average Balance	4Q17 Interest	4Q17 Average Rate [2]	4Q16 Average Balance	4Q16 Interest	4Q16 Average Rate [2]	3Q17 Average Balance	3Q17 Interest	3Q17 Average Rate [2]
			%			%			%
Interest earning assets									
Loans and advances to non-bank customers	**232,732**	**1,796**	**3.06**	211,094	1,608	3.03	226,244	1,735	3.04
Placements with and loans to banks	**55,850**	**325**	**2.31**	49,049	186	1.50	54,786	289	2.09
Other interest earning assets	**50,535**	**307**	**2.41**	45,135	265	2.34	49,670	308	2.46
Total	**339,117**	**2,428**	**2.84**	305,278	2,059	2.68	330,700	2,332	2.80
Interest bearing liabilities									
Deposits of non-bank customers	**278,272**	**809**	**1.15**	252,157	657	1.04	268,646	757	1.12
Deposits and balances of banks	**8,738**	**33**	**1.47**	12,337	29	0.96	10,447	37	1.42
Other borrowings	**31,496**	**162**	**2.05**	20,506	122	2.37	31,920	156	1.94
Total	**318,506**	**1,004**	**1.25**	285,000	808	1.13	311,013	950	1.21
Net interest income/margin [1]		**1,424**	**1.67**		1,251	1.63		1,382	1.66

Notes:
1. Net interest margin is net interest income as a percentage of interest earning assets.
2. Average rates are computed on an annualised basis.

NET INTEREST INCOME *(continued)*

Net interest income rose 7% to S$5.42 billion in FY17 from S$5.05 billion a year ago, driven by strong asset growth. The 2 basis points decline in net interest margin (“NIM”) to 1.65%, from 1.67% in FY16 was mainly attributable to lower loan yields which more than offset higher gapping income from money market activities. Nevertheless, NIM had been rising for each consecutive quarter in 2017.

Net interest income for 4Q17 was S$1.42 billion, 14% higher than S$1.25 billion a year ago. This was driven by an 11% increase in average interest earning asset and a 4 basis points increase in net interest margin to 1.67% from 1.63%. Compared with 3Q17, net interest income was up 3% from S$1.38 billion, underpinned by higher average asset volumes and a 1 basis point increase in net interest margin.

Volume and Rate Analysis

	2017 vs 2016			4Q17 vs 4Q16			4Q17 vs 3Q17		
Increase/(decrease) due to change in: S$ million	**Volume**	**Rate**	**Net change**	**Volume**	**Rate**	**Net change**	**Volume**	**Rate**	**Net change**
Interest income									
Loans and advances to non-bank customers	584	(248)	336	165	23	188	49	12	61
Placements with and loans to banks	61	260	321	25	114	139	6	30	36
Other interest earning assets	79	37	116	32	10	42	5	(6)	(1)
Total	724	49	773	222	147	369	60	36	96
Interest expense									
Deposits of non-bank customers	224	21	245	67	85	152	27	25	52
Deposits and balances of banks	(20)	38	18	(8)	12	4	(6)	2	(4)
Other borrowings	155	(30)	125	66	(26)	40	(2)	8	6
Total	359	29	388	125	71	196	19	35	54
Impact on net interest income	365	20	385	97	76	173	41	1	42
Due to change in number of days			(14)			–			–
Net interest income			371			173			42

NON-INTEREST INCOME

S$ million	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Fees and commissions								
Brokerage	**72**	65	11	**18**	17	11	19	(5)
Wealth management	**852**	588	45	**216**	157	38	205	5
Fund management	**108**	99	10	**28**	27	5	28	(2)
Credit card	**161**	159	1	**42**	40	5	40	7
Loan-related	**292**	304	(4)	**70**	76	(7)	76	(7)
Trade-related and remittances	**217**	209	4	**56**	55	2	56	(1)
Guarantees	**19**	20	(4)	**5**	4	14	5	3
Investment banking	**94**	63	50	**26**	13	101	15	73
Service charges	**101**	95	5	**21**	22	(6)	33	(38)
Others	**37**	36	1	**9**	9	(6)	11	(14)
Sub-total	**1,953**	1,638	19	**491**	420	17	488	1
Dividends	**76**	101	(25)	**11**	18	(38)	24	(52)
Rental income	**83**	91	(8)	**21**	22	(6)	21	(1)
Profit from life assurance	**877**	499	76	**259**	144	80	201	29
Premium income from general insurance	**150**	150	–	**40**	38	5	37	7
Other income								
Net trading income	**515**	529	(3)	**99**	122	(19)	118	(17)
Net gain from investment securities	**431**	198	118	**249**	54	358	64	293
Net gain/(loss) from disposal of subsidiaries and associates	**33**	(18)	279	**23**	–	–	(10)	(333)
Net gain from disposal of properties	**57**	161	(65)	**1**	82	(98)	25	(94)
Others	**38**	88	(57)	**11**	26	(60)	10	10
Sub-total	**1,074**	958	12	**383**	284	35	207	85
Total non-interest income	**4,213**	3,437	23	**1,205**	926	30	978	23
Fees and commissions/Total income	**20.3%**	19.3%		**18.7%**	19.3%		20.7%	
Non-interest income/Total income	**43.7%**	40.5%		**45.8%**	42.5%		41.4%	

Non-interest income was 23% higher at S$4.21 billion for FY17 as compared with S$3.44 billion a year ago.

Fee and commission income rose 19% to S$1.95 billion. This was largely driven by a 45% increase in wealth management fee income. Investment banking, fund management and trade-related fees were also higher year-on-year. Net trading income, primarily treasury-related income from customer flows, was S$515 million, a decline of 3% from S$529 million. Net realised gains from the sale of investment securities were S$431 million as compared to S$198 million a year ago, while net gains from the sale of properties of S$57 million were lower from S$161 million in FY16. Profit from life assurance was 76% higher at S$877 million as compared to S$499 million, achieved through GEH's strong underlying business growth and higher investment income from realised gains due to favourable market conditions.

Non-interest income for 4Q17 was 30% higher at S$1.21 billion as compared to S$926 million, mainly driven by higher profit from life assurance and net realised gains from the sale of investment securities.

OPERATING EXPENSES

S$ million	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Staff costs								
Salaries and other costs	**2,236**	2,128	5	**582**	530	10	550	6
Share-based expenses	**55**	51	8	**15**	14	6	14	4
Contribution to defined contribution plans	**180**	168	7	**45**	41	9	44	3
	2,471	2,347	5	**642**	585	10	608	6
Property and equipment								
Depreciation	**315**	308	2	**81**	81	–	79	2
Maintenance and hire of property, plant & equipment	**121**	117	3	**33**	30	11	29	15
Rental expenses	**99**	100	(2)	**25**	27	(7)	24	2
Others	**258**	238	9	**71**	67	6	63	14
	793	763	4	**210**	205	3	195	8
Other operating expenses	**770**	678	14	**215**	191	13	198	8
Total operating expenses	**4,034**	3,788	6	**1,067**	981	9	1,001	7
Group staff strength								
Period end	**29,174**	29,792	(2)	**29,174**	29,792	(2)	29,161	–
Average	**29,401**	30,037	(2)	**29,247**	30,256	(3)	29,159	–
Cost-to-income ratio	**41.9%**	44.6%		**40.6%**	45.1%		42.4%	

Operating expenses grew 6% to S$4.03 billion in FY17, an increase from S$3.79 billion a year ago, largely from higher staff costs and a rise in expenses associated with the growth in business volumes. This included the full year cost impact from the consolidation of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong acquired in November 2016.

Compared to 4Q16, operating expenses for the quarter increased 9% to S$1.07 billion from S$981 million in line with increased business activities.

The cost-to-income ratio was lower at 41.9% in FY17, an improvement as compared to 44.6% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S$ million	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Specific allowances/ (write-back) for loans								
Singapore	**486**	208	133	**281**	119	136	49	472
Malaysia	**297**	72	312	**263**	40	556	4	nm
Greater China	**84**	47	82	**8**	11	(28)	63	(87)
Others	**540**	157	243	**503**	65	681	22	nm
	1,407	484	191	**1,055**	235	350	138	664
Portfolio allowances for loans	**(786)**	172	(558)	**(887)**	43	nm	3	nm
Allowances and impairment charges for other assets	**50**	70	(28)	**10**	27	(64)	15	(34)
Allowances for loans and impairment for other assets	**671**	726	(7)	**178**	305	(41)	156	15

Allowances for loans and other assets were S$671 million in FY17, lower as compared to S$726 million a year ago.

Specific allowances for loans, net of recoveries and write-backs were S$1.41 billion for the year, higher as compared to S$484 million in FY16. The increase was mainly attributable to allowances made for exposures to the offshore support services and vessels sector which continued to be under stress. In 4Q17, the Group applied S$887 million of cumulative portfolio allowances to cater for additional specific allowances. The Group continued to maintain portfolio allowances at the prudent level of S$1.42 billion, which were sufficient to meet existing regulatory obligations.

Net allowances were S$178 million in 4Q17, as compared to S$305 million a year ago and S$156 million the previous quarter.

LOANS AND ADVANCES

S$ million	31 Dec 2017	31 Dec 2016	30 Sep 2017
Loans to customers	**229,523**	213,623	225,036
Bills receivable	**7,798**	6,529	7,389
Gross loans to customers	**237,321**	220,152	232,425
Allowances			
Specific allowances	**(1,236)**	(616)	(696)
Portfolio allowances	**(1,417)**	(2,241)	(2,303)
	234,668	217,295	229,426
Less: assets pledged	**(527)**	(465)	(540)
Loans net of allowances	**234,141**	216,830	228,886
By Maturity			
Within 1 year	**96,639**	82,942	94,472
1 to 3 years	**36,861**	38,003	37,568
Over 3 years	**103,821**	99,207	100,385
	237,321	220,152	232,425
By Industry			
Agriculture, mining and quarrying	**8,073**	8,974	7,997
Manufacturing	**12,501**	12,697	12,991
Building and construction	**35,436**	35,632	35,250
Housing loans	**64,542**	60,149	62,037
General commerce	**29,010**	25,348	27,626
Transport, storage and communication	**11,568**	11,520	12,198
Financial institutions, investment and holding companies	**37,838**	30,491	36,929
Professionals and individuals	**28,704**	26,396	27,943
Others	**9,649**	8,945	9,454
	237,321	220,152	232,425
By Currency			
Singapore Dollar	**85,485**	81,260	83,787
United States Dollar	**61,445**	56,576	60,808
Malaysian Ringgit	**20,481**	20,552	20,093
Indonesian Rupiah	**7,795**	7,486	7,642
Hong Kong Dollar	**33,011**	30,339	31,714
Chinese Renminbi	**4,626**	5,182	5,283
Others	**24,478**	18,757	23,098
	237,321	220,152	232,425
By Geography [1/]			
Singapore	**99,872**	93,580	98,069
Malaysia	**28,231**	27,948	27,933
Indonesia	**19,259**	18,138	19,409
Greater China	**59,114**	53,997	57,346
Other Asia Pacific	**12,754**	11,988	12,685
Rest of the World	**18,091**	14,501	16,983
	237,321	220,152	232,425

Note:

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

Gross loans to customers were S$237 billion as at 31 December 2017, an increase of 8% from S$220 billion in the previous year and 2% from S$232 billion a quarter ago. In constant currency terms, customer loans grew 11% year-on-year and 3% quarter-on-quarter. By industry, the year-on-year loan growth was broad-based across key customer segments and geographies, with the largest increase coming from financial institutions, investment and holding companies and housing loans.

NON-PERFORMING ASSETS

S$ million	Total NPAs [1/]	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs	NPLs [2/]	NPL Ratio [2/]
					%		%
Singapore							
31 Dec 2017	**1,132**	**772**	**212**	**148**	**73.1**	**1,086**	**1.1**
30 Sep 2017	963	449	353	161	62.2	913	0.9
31 Dec 2016	800	404	248	148	68.3	745	0.8
Malaysia							
31 Dec 2017	**862**	**485**	**335**	**42**	**77.4**	**857**	**3.0**
30 Sep 2017	705	565	90	50	76.2	700	2.5
31 Dec 2016	610	485	81	44	79.5	607	2.2
Indonesia							
31 Dec 2017	**589**	**399**	**29**	**161**	**73.4**	**588**	**3.1**
30 Sep 2017	677	436	115	126	67.7	677	3.5
31 Dec 2016	691	433	120	138	67.0	689	3.8
Greater China							
31 Dec 2017	**232**	**74**	**110**	**48**	**54.4**	**232**	**0.4**
30 Sep 2017	304	63	188	53	49.4	304	0.5
31 Dec 2016	389	219	114	56	40.2	354	0.7
Other Asia Pacific							
31 Dec 2017	**252**	**223**	**29**	**–**	**68.7**	**252**	**2.0**
30 Sep 2017	249	239	10	–	75.6	249	2.0
31 Dec 2016	326	301	25	–	67.6	326	2.7
Rest of the World							
31 Dec 2017	**401**	**386**	**13**	**2**	**97.3**	**400**	**2.2**
30 Sep 2017	85	81	3	1	88.9	85	0.5
31 Dec 2016	70	60	9	1	88.5	62	0.4
Group							
31 Dec 2017	**3,468**	**2,339**	**728**	**401**	**75.5**	**3,415**	**1.5**
30 Sep 2017	2,983	1,833	759	391	67.3	2,928	1.3
31 Dec 2016	2,886	1,902	597	387	67.0	2,783	1.3

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$3.47 billion as at 31 December 2017, and represented a 20% increase from S$2.89 billion a year ago and 16% from S$2.98 billion the previous quarter. The year-on-year increase in NPAs was mainly due to the downgrade of exposures related to the offshore support services and vessels sector where operating conditions remained challenged.

The Group's NPL ratio was 1.45%, an increase from 1.26% a year ago and the previous quarter. Of the total NPAs, 67% were in the substandard category and 76% were secured by collateral.

	31 Dec 2017		31 Dec 2016		30 Sep 2017	
	S$ million	% of loans	S$ million	% of loans	S$ million	% of loans
NPLs by Industry						
Loans and advances						
Agriculture, mining and quarrying	**305**	**3.8**	152	1.7	154	1.9
Manufacturing	**304**	**2.4**	254	2.0	303	2.3
Building and construction	**59**	**0.2**	94	0.3	61	0.2
Housing loans	**392**	**0.6**	406	0.7	475	0.8
General commerce	**291**	**1.0**	376	1.5	324	1.2
Transport, storage and communication	**1,277**	**11.0**	608	5.3	732	6.0
Financial institutions, investment and holding companies	**376**	**1.0**	435	1.4	477	1.3
Professionals and individuals	**146**	**0.5**	170	0.6	127	0.5
Others	**265**	**2.7**	288	3.2	275	2.9
Total NPLs	**3,415**	**1.5**	2,783	1.3	2,928	1.3
Classified debt securities	**35**		80		40	
Classified contingent liabilities	**18**		23		15	
Total NPAs	**3,468**		2,886		2,983	

	31 Dec 2017		31 Dec 2016		30 Sep 2017	
	S$ million	%	S$ million	%	S$ million	%
NPAs by Period Overdue						
Over 180 days	**1,212**	**35**	1,528	53	1,461	49
Over 90 to 180 days	**257**	**8**	337	12	332	11
30 to 90 days	**313**	**9**	248	9	396	13
Less than 30 days	**48**	**1**	323	11	416	14
Not overdue	**1,638**	**47**	450	15	378	13
	3,468	**100**	2,886	100	2,983	100

	31 Dec 2017		31 Dec 2016		30 Sep 2017	
S$ million	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans						
Substandard	**703**	**242**	865	72	549	18
Doubtful	**211**	**128**	156	118	291	136
Loss	**52**	**42**	42	28	46	30
	966	**412**	1,063	218	886	184

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					
31 Dec 2017	**764**	**320**	**444**	**28.2**	**67.4**
30 Sep 2017	1,233	315	918	32.7	128.0
31 Dec 2016	1,082	235	847	29.4	135.2
Malaysia					
31 Dec 2017	**618**	**340**	**278**	**39.4**	**71.8**
30 Sep 2017	490	136	354	19.2	69.5
31 Dec 2016	509	124	385	20.4	83.4
Indonesia					
31 Dec 2017	**416**	**232**	**184**	**39.4**	**70.7**
30 Sep 2017	492	143	349	21.1	72.6
31 Dec 2016	461	173	288	25.0	66.7
Greater China					
31 Dec 2017	**428**	**61**	**367**	**26.5**	**184.8**
30 Sep 2017	562	98	464	32.4	185.2
31 Dec 2016	610	89	521	23.0	156.9
Other Asia Pacific					
31 Dec 2017	**194**	**111**	**83**	**44.1**	**77.0**
30 Sep 2017	128	3	125	1.3	51.4
31 Dec 2016	127	17	110	5.1	38.9
Rest of the World					
31 Dec 2017	**246**	**185**	**61**	**46.2**	**61.4**
30 Sep 2017	104	11	93	12.6	121.8
31 Dec 2016	98	8	90	10.8	139.3
Group					
31 Dec 2017	**2,666**	**1,249**	**1,417**	**36.0**	**76.9**
30 Sep 2017	3,009	706	2,303	23.7	100.9
31 Dec 2016	2,887	646	2,241	22.4	100.0

As at 31 December 2017, the Group's total cumulative allowances for assets were S$2.67 billion, comprising S$1.25 billion in specific allowances and S$1.42 billion in portfolio allowances. The coverage ratios as of 31 December 2017 comprised total cumulative allowances amounting to 313% of unsecured NPAs and 77% of total NPAs.

DEPOSITS

S$ million	31 Dec 2017	31 Dec 2016	30 Sep 2017
Deposits of non-bank customers	**283,642**	261,486	268,234
Deposits and balances of banks	**7,485**	10,740	11,640
	291,127	272,226	279,874
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**82.5%**	82.9%	85.3%

S$ million	31 Dec 2017	31 Dec 2016	30 Sep 2017
Total Deposits By Maturity			
Within 1 year	**287,957**	268,328	275,544
1 to 3 years	**1,328**	2,045	2,423
Over 3 years	**1,842**	1,853	1,907
	291,127	272,226	279,874
Non-Bank Deposits By Product			
Fixed deposits	**118,078**	113,943	108,338
Savings deposits	**51,817**	48,240	51,323
Current account	**87,773**	85,411	84,061
Others	**25,974**	13,892	24,512
	283,642	261,486	268,234
Non-Bank Deposits By Currency			
Singapore Dollar	**97,665**	94,413	95,579
United States Dollar	**93,415**	80,402	84,455
Malaysian Ringgit	**22,364**	21,701	22,309
Indonesian Rupiah	**8,206**	7,563	8,216
Hong Kong Dollar	**28,640**	27,336	25,811
Chinese Renminbi	**7,551**	8,008	7,654
Others	**25,801**	22,063	24,210
	283,642	261,486	268,234

Non-bank customer deposits as at 31 December 2017 were S$284 billion, up 8% from a year ago and 6% higher from the previous quarter. The ratio of current and savings deposits to total non-bank deposits was 49.2%, as compared to 51.1% a year ago. The Group's loans-to-deposits ratio was 82.5% as at 31 December 2017.

DEBT ISSUED

S$ million	31 Dec 2017	31 Dec 2016	30 Sep 2017
Subordinated debt (unsecured)	**4,556**	6,503	5,323
Fixed and floating rate notes (unsecured)	**3,425**	3,565	2,790
Commercial papers (unsecured)	**21,381**	8,572	22,279
Structured notes (unsecured)	**1,289**	1,307	1,252
Covered bonds (secured)	**1,584**	–	792
Total	**32,235**	19,947	32,436
Debt Issued By Maturity			
Within one year	**24,618**	12,480	25,443
Over one year	**7,617**	7,467	6,993
Total	**32,235**	19,947	32,436

As at 31 December 2017, the Group had S$21.38 billion of commercial papers outstanding. The commercial papers form part of the Group's diversified funding sources.

CAPITAL ADEQUACY RATIOS[1]

S$ million	31 Dec 2017	31 Dec 2016	30 Sep 2017
Ordinary shares	**14,136**	14,107	14,153
Disclosed reserves/others	**18,130**	21,586	22,775
Regulatory adjustments	**(5,359)**	(6,550)	(9,121)
Common Equity Tier 1 Capital	**26,907**	29,143	27,807
Additional Tier 1 capital	**2,985**	3,109	2,986
Regulatory adjustments	**(932)**	(2,284)	(1,099)
Tier 1 Capital	**28,960**	29,968	29,694
Tier 2 capital	**4,673**	6,087	5,738
Regulatory adjustments	**(408)**	(2,080)	(1,182)
Total Eligible Capital	**33,225**	33,975	34,250
Risk Weighted Assets	**193,082**	197,763	211,372
Capital Adequacy Ratios			
Common Equity Tier 1	**13.9%**	14.7%	13.1%
Tier 1	**14.9%**	15.1%	14.0%
Total	**17.2%**	17.1%	16.2%

The Group remains strongly capitalised, with a Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") of 13.9%, and Tier 1 and Total CAR of 14.9% and 17.2% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2017[2].

The Group's CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, was 13.1%.

The capital adequacy of the Group's significant banking subsidiaries as at 31 December 2017 were:

		Capital Adequacy Ratios		
S$ million	**Total Risk Weighted Assets**	**Common Equity Tier 1**	**Tier 1**	**Total**
OCBC Wing Hang Bank Limited	20,008	14.2%	14.2%	16.1%
OCBC Bank (Malaysia) Berhad	12,694	13.4%	15.6%	18.0%
Bank OCBC NISP	12,688	16.6%	16.6%	17.5%

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 Financial Services Authority Regulation in Indonesia.

[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% are being phased in from 2016 to 2019. The CCB was 1.25% on 1 January 2017 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	31 Dec 2017	31 Dec 2016	30 Sep 2017
Tier 1 Capital	**28,960**	29,968	29,694
Total exposures	**394,770**	365,126	387,576
Leverage ratio	**7.3%**	8.2%	7.6%

Note:

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).

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 31 December 2017, the Group's leverage ratio of 7.3% was above the 3% minimum regulatory requirement.

LIQUIDITY COVERAGE RATIOS

For 4Q17, the average Singapore dollar ("SGD") and all-currency liquidity coverage ratios ("LCR") for the Group (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macao and OCBC Yangon which will be included in due course) were 254% and 159% respectively. Compared to 3Q17, the average all-currency LCR was higher by 12 percentage points driven by an increase in High Quality Liquid Assets ("HQLA") and lower cash outflow from wholesale funding. The SGD LCR decreased by 15 percentage points with lower cash inflow from derivative transactions.

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	31 Dec 2017	31 Dec 2016	30 Sep 2017
Properties [2/]	**4,010**	3,890	3,934
Equity securities [3/]	**5,905**	2,557	4,894
Total	**9,915**	6,447	8,828

Notes:

2. 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.
3. Comprises mainly investments in quoted subsidiaries, a quoted associate and the investment in Hong Kong Life Insurance Limited ("Hong Kong Life"), which are valued based on their quarter-end market prices for quoted equities and the sale consideration for Hong Kong Life.

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

The valuation surplus as at 31 December 2017 was S$9.92 billion, 54% higher from S$6.45 billion as at 31 December 2016, mainly from higher market 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	2017	2016	+/(-) %	4Q17	4Q16	+/(-) %	3Q17	+/(-) %
Global Consumer/Private Banking	**1,230**	907	36	**286**	216	32	311	(8)
Global Corporate/Investment Banking	**1,420**	1,533	(7)	**261**	210	24	374	(30)
Global Treasury and Markets	**482**	445	8	**95**	78	21	144	(34)
OCBC Wing Hang	**370**	362	2	**83**	106	(21)	111	(25)
Insurance	**1,264**	662	91	**479**	222	117	252	90
Others	**61**	(30)	(297)	**154**	35	329	(15)	nm
Operating profit after allowances and amortisation	**4,827**	3,879	24	**1,358**	867	57	1,177	15

Global Consumer/Private Banking

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Consumer/Private Banking's operating profit after allowances was S$1.23 billion in FY17 and S$286 million in 4Q17, a year-on-year increase of 36% and 32% respectively. The operating profit growth for both periods was driven by higher net interest income and fee income, partly offset by an increase in expenses. Compared with 3Q17, operating profit declined by 8% as net interest income and fee income growth were more than offset by higher expenses.

Global Corporate/Investment Banking

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

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

Global Corporate/Investment Banking's operating profit after allowances was down 7% year-on-year to S$1.42 billion in FY17, mainly attributable to higher allowances. 4Q17 operating profit was 24% higher at S$261 million from lower allowances, but was 30% lower from a quarter ago, from lower investment banking income and higher allowances. The increase in allowances was mainly attributable to specific allowances made for exposures to the offshore support services and vessels sector.

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 rose 8% to S$482 million in FY17, and was up 21% to S$95 million in 4Q17. The higher year-on-year operating profit for both periods was driven by higher net interest income from money market activities, partly offset by a decline in net trading income. Quarter-on-quarter, operating profit in 4Q17 fell 34%, reflecting lower net trading income.

OCBC Wing Hang

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

OCBC Wing Hang's operating profit after allowances rose 2% to S$370 million in FY17, led by higher net interest income offset by lower trading income. 4Q17 operating profit of S$83 million was 21% lower year-on-year, mainly from a decline in net trading income. Operating profit declined 25% from the previous quarter mainly attributable to lower investment income.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.9%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances from GEH rose 91% year-on-year to S$1.26 billion in FY17 and was up 117% to S$479 million in 4Q17. The year-on-year increase was driven by robust underlying business growth and strong performance in its investment portfolio as a result of favourable market conditions. Compared with 3Q17, operating profit grew 90%, led by higher gains from sale of equity investments.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$968 million in FY17 and S$361 million in 4Q17, higher than S$470 million in FY16 and S$160 million in 4Q16 respectively.

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
2017							
Total income	**3,210**	**3,033**	**754**	**967**	**1,591**	**81**	**9,636**
Operating profit before allowances and amortisation	**1,312**	**1,994**	**493**	**415**	**1,328**	**60**	**5,602**
Amortisation of intangible assets	**(15)**	**–**	**–**	**(42)**	**(47)**	**–**	**(104)**
Write-back/(allowances and impairment) for loans and other assets	**(67)**	**(574)**	**(11)**	**(3)**	**(17)**	**1**	**(671)**
Operating profit after allowances and amortisation	**1,230**	**1,420**	**482**	**370**	**1,264**	**61**	**4,827**
Other information:							
Capital expenditure	**33**	**2**	**0**	**13**	**59**	**156**	**263**
Depreciation	**43**	**10**	**1**	**66**	**5**	**190**	**315**
2016							
Total income	2,722	3,024	708	919	944	172	8,489
Operating profit before allowances and amortisation	1,017	1,987	444	415	726	112	4,701
Amortisation of intangible assets	(7)	–	–	(42)	(47)	–	(96)
Write-back/(allowances and impairment) for loans and other assets	(103)	(454)	1	(11)	(17)	(142)	(726)
Operating profit after allowances and amortisation	907	1,533	445	362	662	(30)	3,879
Other information:							
Capital expenditure	44	2	0	17	54	305	422
Depreciation	43	11	2	64	3	185	308

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
4Q17							
Total income	**820**	**732**	**160**	**243**	**575**	**99**	**2,629**
Operating profit before allowances and amortisation	**312**	**464**	**96**	**98**	**494**	**98**	**1,562**
Amortisation of intangible assets	**(4)**	**–**	**–**	**(10)**	**(12)**	**–**	**(26)**
Write-back/(allowances and impairment) for loans and other assets	**(22)**	**(203)**	**(1)**	**(5)**	**(3)**	**56**	**(178)**
Operating profit after allowances and amortisation	**286**	**261**	**95**	**83**	**479**	**154**	**1,358**
Other information:							
Capital expenditure	**14**	**1**	**0**	**5**	**12**	**57**	**89**
Depreciation	**11**	**2**	**0**	**17**	**3**	**48**	**81**
4Q16							
Total income	706	739	143	262	290	37	2,177
Operating profit before allowances and amortisation	241	478	81	119	237	40	1,196
Amortisation of intangible assets	(2)	–	–	(11)	(11)	–	(24)
Allowances and impairment for loans and other assets	(23)	(268)	(3)	(2)	(4)	(5)	(305)
Operating profit after allowances and amortisation	216	210	78	106	222	35	867
Other information:							
Capital expenditure	14	0	0	7	14	108	143
Depreciation	12	3	0	18	1	47	81
3Q17							
Total income	806	766	211	266	326	(15)	2,360
Operating profit before allowances and amortisation	330	508	145	126	271	(21)	1,359
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Write-back/(allowances and impairment) for loans and other assets	(15)	(134)	(1)	(5)	(7)	6	(156)
Operating profit after allowances and amortisation	311	374	144	111	252	(15)	1,177
Other information:							
Capital expenditure	4	0	0	3	23	37	67
Depreciation	11	3	0	16	1	48	79

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 31 December 2017							
Segment assets	**106,529**	**126,157**	**83,012**	**55,874**	**85,311**	**15,068**	**471,951**
Unallocated assets							**937**
Elimination							**(17,950)**
Total assets							**454,938**
Segment liabilities	**117,193**	**111,163**	**55,415**	**48,251**	**75,019**	**21,387**	**428,428**
Unallocated liabilities							**2,684**
Elimination							**(17,950)**
Total liabilities							**413,162**
Other information:							
Gross non-bank loans	**91,144**	**118,242**	**1,519**	**31,285**	**42**	**(4,911)**	**237,321**
NPAs	**559**	**2,847**	**–**	**157**	**5**	**(100)**	**3,468**
At 31 December 2016							
Segment assets	104,482	115,471	72,186	50,075	71,912	18,011	432,137
Unallocated assets							1,005
Elimination							(23,258)
Total assets							409,884
Segment liabilities	116,963	104,612	49,553	42,212	62,951	14,969	391,260
Unallocated liabilities							2,240
Elimination							(23,258)
Total liabilities							370,242
Other information:							
Gross non-bank loans	83,802	110,111	1,384	30,389	52	(5,586)	220,152
NPAs	573	2,222	–	268	10	(187)	2,886
At 30 September 2017							
Segment assets	103,805	124,888	77,920	54,220	80,519	12,982	454,334
Unallocated assets							1,100
Elimination							(16,921)
Total assets							438,513
Segment liabilities	114,512	106,182	53,069	47,321	70,625	20,215	411,924
Unallocated liabilities							2,610
Elimination							(16,921)
Total liabilities							397,613
Other information:							
Gross non-bank loans	89,309	116,724	1,426	30,387	50	(5,471)	232,425
NPAs	611	2,297	–	253	5	(183)	2,983

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2017		2016		4Q17		4Q16		3Q17	
	S$ million	%	S$ million	%	S$ million	%	S$ million	%	S$ million	%
Total income										
Singapore	**5,792**	**60**	4,908	58	**1,610**	**61**	1,261	58	1,393	59
Malaysia	**1,327**	**14**	1,314	15	**378**	**14**	341	16	314	13
Indonesia	**808**	**8**	731	8	**199**	**8**	189	9	204	9
Greater China	**1,326**	**14**	1,250	15	**339**	**13**	312	14	354	15
Other Asia Pacific	**162**	**2**	141	2	**42**	**2**	35	1	42	2
Rest of the World	**221**	**2**	145	2	**61**	**2**	39	2	53	2
	9,636	**100**	8,489	100	**2,629**	**100**	2,177	100	2,360	100
Profit before income tax										
Singapore	**2,878**	**55**	2,154	50	**800**	**58**	463	49	682	52
Malaysia	**705**	**14**	802	19	**109**	**8**	197	21	214	16
Indonesia	**449**	**8**	226	5	**220**	**16**	31	3	72	6
Greater China	**978**	**19**	934	22	**216**	**15**	217	23	272	21
Other Asia Pacific	**119**	**2**	84	2	**44**	**3**	17	2	30	2
Rest of the World	**87**	**2**	75	2	**(3)**	**–**	24	2	34	3
	5,216	**100**	4,275	100	**1,386**	**100**	949	100	1,304	100

	31 Dec 2017		31 Dec 2016		30 Sep 2017	
	S$ million	%	S$ million	%	S$ million	%
Total assets						
Singapore	**257,558**	**57**	229,752	56	250,188	57
Malaysia	**62,914**	**14**	60,412	15	61,553	14
Indonesia	**15,378**	**3**	14,946	4	15,010	3
Greater China	**85,758**	**19**	75,563	18	81,677	19
Other Asia Pacific	**13,399**	**3**	12,007	3	13,309	3
Rest of the World	**19,931**	**4**	17,204	4	16,776	4
	454,938	**100**	409,884	100	438,513	100

The geographical segment analysis is based on the location where assets or transactions are booked. For FY17, Singapore accounted for 60% of total income and 55% of pre-tax profit, while Malaysia accounted for 14% of total income and 14% of pre-tax profit. Greater China accounted for 14% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S$2.88 billion in FY17, an increase from S$2.15 billion a year ago, driven by higher profit from life assurance and net interest income, which more than offset a rise in operating expenses. Malaysia's pre-tax profit was S$705 million, 12% lower from a year ago at S$802 million, mainly attributable to higher allowances. Pre-tax profit for Greater China was S$978 million, up from S$934 million in FY16, underpinned by net interest income and non-interest income growth.

HALF-YEARLY INCOME AND PROFIT

S$ million	2017	2016	+/(-)
			%
Total income			
First half year	**4,647**	4,108	13
Second half year	**4,989**	4,381	14
	9,636	8,489	14
Profit for the year			
First half year	**2,171**	1,819	19
Second half year	**2,242**	1,827	23
	4,413	3,646	21

AUDITED CONSOLIDATED INCOME STATEMENT

S$ million	2017	2016	+/(-)@	4Q17@	4Q16@	+/(-)@	3Q17@	+/(-)@
			%			%		%
Interest income	**9,118**	8,368	9	**2,428**	2,059	18	2,332	4
Interest expense	**(3,695)**	(3,316)	11	**(1,004)**	(808)	24	(950)	6
Net interest income	**5,423**	5,052	7	**1,424**	1,251	14	1,382	3
Premium income	**12,118**	9,067	34	**4,194**	2,573	63	2,980	41
Investment income	**4,117**	2,359	74	**1,002**	687	46	1,064	(6)
Net claims, surrenders and annuities	**(5,339)**	(4,821)	11	**(1,468)**	(1,209)	21	(1,387)	6
Change in life assurance fund contract liabilities	**(8,108)**	(4,657)	74	**(2,911)**	(1,462)	99	(1,995)	46
Commission and others	**(1,911)**	(1,449)	32	**(558)**	(445)	25	(461)	21
Profit from life assurance	**877**	499	76	**259**	144	80	201	29
Premium income from general insurance	**150**	150	–	**40**	38	5	37	7
Fees and commissions (net)	**1,953**	1,638	19	**491**	420	17	488	1
Dividends	**76**	101	(25)	**11**	18	(38)	24	(52)
Rental income	**83**	91	(8)	**21**	22	(6)	21	(1)
Other income	**1,074**	958	12	**383**	284	35	207	85
Non-interest income	**4,213**	3,437	23	**1,205**	926	30	978	23
Total income	**9,636**	8,489	14	**2,629**	2,177	21	2,360	11
Staff costs	**(2,471)**	(2,347)	5	**(642)**	(585)	10	(608)	6
Other operating expenses	**(1,563)**	(1,441)	8	**(425)**	(396)	7	(393)	8
Total operating expenses	**(4,034)**	(3,788)	6	**(1,067)**	(981)	9	(1,001)	7
Operating profit before allowances and amortisation	**5,602**	4,701	19	**1,562**	1,196	31	1,359	15
Amortisation of intangible assets	**(104)**	(96)	8	**(26)**	(24)	5	(26)	–
Allowances for loans and impairment for other assets	**(671)**	(726)	(7)	**(178)**	(305)	(41)	(156)	15
Operating profit after allowances and amortisation	**4,827**	3,879	24	**1,358**	867	57	1,177	15
Share of results of associates	**389**	396	(2)	**28**	82	(66)	127	(78)
Profit before income tax	**5,216**	4,275	22	**1,386**	949	46	1,304	6
Income tax expense	**(803)**	(629)	28	**(257)**	(114)	124	(192)	34
Profit for the period	**4,413**	3,646	21	**1,129**	835	35	1,112	2
Profit attributable to:								
Equity holders of the Bank	**4,146**	3,473	19	**1,033**	789	31	1,057	(2)
Non-controlling interests	**267**	173	54	**96**	46	109	55	74
	4,413	3,646	21	**1,129**	835	35	1,112	2
Earnings per share[2] (for the period – cents)								
Basic	**97.6**	82.2		**24.1**	18.4		25.0	
Diluted	**97.4**	82.2		**24.1**	18.4		25.0	

Note:

1. "@" represents unaudited.
2. Earnings mean profit attributable to ordinary equity holders of the bank.

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

S$ million	2017	2016	+/(-)@ %	4Q17@	4Q16@	+/(-)@ %	3Q17@	+/(-)@ %
Profit for the year/period	**4,413**	3,646	21	**1,129**	835	35	1,112	2
Other comprehensive income:								
Available-for-sale financial assets								
Gains/(losses) for the year/period	**448**	118	279	**32**	(303)	110	31	2
Reclassification of (gains)/losses to income statement								
– on disposal	**(406)**	(198)	(105)	**(249)**	(54)	(358)	(63)	(293)
– on impairment	**50**	34	51	**10**	4	152	14	(29)
Tax on net movements	**(13)**	6	(342)	**28**	45	(37)	(4)	856
Cash flow hedges	**(0)**	–	nm	**(0)**	–	nm	–	nm
Currency translation on foreign operations	**(534)**	200	(367)	**(52)**	288	(118)	(91)	42
Defined benefit plans remeasurements [1/]	**(2)**	3	(174)	**(2)**	2	(201)	0	nm
Other comprehensive income of associates	**(146)**	(136)	(7)	**38**	(30)	228	(38)	201
Total other comprehensive income, net of tax	**(603)**	27	nm	**(195)**	(48)	(309)	(151)	(30)
Total comprehensive income for the year/period, net of tax	**3,810**	3,673	4	**934**	787	19	961	(3)
Total comprehensive income attributable to:								
Equity holders of the Bank	**3,560**	3,478	2	**856**	746	15	908	(6)
Non-controlling interests	**250**	195	28	**78**	41	93	53	49
	3,810	3,673	4	**934**	787	19	961	(3)

Notes:
1. Item that will not be reclassified to income statement.
2. "@" represents unaudited.

AUDITED BALANCE SHEETS

S$ million	GROUP 31 Dec 2017	GROUP 31 Dec 2016	GROUP 30 Sep 2017@	BANK 31 Dec 2017	BANK 31 Dec 2016	BANK 30 Sep 2017@
EQUITY						
Attributable to equity holders of the Bank						
Share capital	**15,136**	15,107	15,154	**15,136**	15,107	15,154
Other equity instruments	**499**	499	499	**499**	499	499
Capital reserves	**361**	572	322	**99**	106	117
Fair value reserves	**120**	156	251	**12**	8	70
Revenue reserves	**22,892**	20,673	21,984	**13,017**	12,561	12,539
	39,008	37,007	38,210	**28,763**	28,281	28,379
Non-controlling interests	**2,768**	2,635	2,690	**–**	–	–
Total equity	**41,776**	39,642	40,900	**28,763**	28,281	28,379
LIABILITIES						
Deposits of non-bank customers	**283,642**	261,486	268,234	**178,146**	155,753	165,607
Deposits and balances of banks	**7,485**	10,740	11,640	**6,085**	9,090	9,292
Due to subsidiaries	**–**	–	–	**16,301**	16,289	15,407
Due to associates	**220**	206	269	**103**	127	86
Trading portfolio liabilities	**622**	598	558	**622**	581	558
Derivative payables	**6,454**	7,474	6,013	**4,989**	6,008	4,722
Other liabilities	**6,065**	5,590	6,203	**1,855**	1,747	1,873
Current tax	**1,102**	914	1,057	**440**	388	398
Deferred tax	**1,582**	1,325	1,553	**54**	51	50
Debt issued	**32,235**	19,947	32,436	**32,498**	19,532	32,837
	339,407	308,280	327,963	**241,093**	209,566	230,830
Life assurance fund liabilities	**73,755**	61,962	69,650	**–**	–	–
Total liabilities	**413,162**	370,242	397,613	**241,093**	209,566	230,830
Total equity and liabilities	**454,938**	409,884	438,513	**269,856**	237,847	259,209
ASSETS						
Cash and placements with central banks	**19,594**	16,559	14,431	**14,355**	11,365	9,361
Singapore government treasury bills and securities	**9,840**	8,066	10,761	**9,089**	7,702	10,161
Other government treasury bills and securities	**17,631**	16,298	16,924	**8,444**	7,164	7,531
Placements with and loans to banks	**49,377**	39,801	46,559	**34,756**	31,210	33,163
Loans and bills receivable	**234,141**	216,830	228,886	**143,516**	131,874	139,728
Debt and equity securities	**25,329**	23,157	24,537	**13,981**	11,612	13,127
Assets pledged	**1,056**	1,789	2,715	**741**	936	1,492
Assets held for sale	**39**	28	35	**2**	1	1
Derivative receivables	**6,386**	7,838	6,310	**5,117**	6,352	5,070
Other assets	**5,651**	4,889	5,736	**1,472**	1,591	1,569
Deferred tax	**174**	196	180	**65**	64	62
Associates	**2,352**	2,415	2,624	**483**	595	594
Subsidiaries	**–**	–	–	**34,824**	24,333	34,346
Property, plant and equipment	**3,332**	3,479	3,358	**614**	649	604
Investment property	**949**	1,093	962	**530**	532	533
Goodwill and intangible assets	**5,160**	5,473	5,225	**1,867**	1,867	1,867
	381,011	347,911	369,243	**269,856**	237,847	259,209
Life assurance fund investment assets	**73,927**	61,973	69,270	**–**	–	–
Total assets	**454,938**	409,884	438,513	**269,856**	237,847	259,209
Net asset value (before valuation surplus) per ordinary share – S$ @	**8.96**	8.49	8.76	**6.51**	6.40	6.42
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	**10,504**	11,145	10,231	**7,283**	8,273	7,343
Commitments	**130,383**	119,965	127,374	**80,501**	55,561	78,063
Derivative financial instruments	**919,224**	684,961	931,805	**754,752**	580,952	778,135

Note:
1. "@" represents unaudited.

AUDITED STATEMENT OF CHANGES IN EQUITY – GROUP
For the financial year ended 31 December 2017

S$ million	Attributable to equity holders of the Bank: Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**15,606**	**572**	**156**	**20,673**	**37,007**	**2,635**	**39,642**
Total comprehensive income for the year	**–**	**–**	**(36)**	**3,596**	**3,560**	**250**	**3,810**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	**21**	**(215)**	**–**	**194**	**–**	**–**	**–**
Distributions and dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(107)**	**(107)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**6**	**6**	**–**	**6**
Distributions for perpetual capital securities	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Ordinary and preference dividends	**–**	**–**	**–**	**(1,551)**	**(1,551)**	**–**	**(1,551)**
Share-based staff costs capitalised	**–**	**14**	**–**	**–**	**14**	**–**	**14**
Share buyback held in treasury	**(224)**	**–**	**–**	**–**	**(224)**	**–**	**(224)**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Shares transferred to DSP Trust	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Shares vested under DSP Scheme	**–**	**49**	**–**	**–**	**49**	**–**	**49**
Treasury shares transferred/sold	**231**	**(53)**	**–**	**–**	**178**	**–**	**178**
Total contributions by and distributions to owners	**29**	**(211)**	**–**	**(1,370)**	**(1,552)**	**(107)**	**(1,659)**
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	**–**	**–**	**–**	**(7)**	**(7)**	**(10)**	**(17)**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**(7)**	**(7)**	**(10)**	**(17)**
Balance at 31 December 2017	**15,635**	**361**	**120**	**22,892**	**39,008**	**2,768**	**41,776**
Included: Share of reserves of associates	**–**	**–**	**(75)**	**850**	**775**	**–**	**775**
Balance at 1 January 2016	15,059	527	234	18,733	34,553	2,558	37,111
Total comprehensive income for the year	–	–	(78)	3,556	3,478	195	3,673
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	4	58	–	(62)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(109)	(109)
DSP reserve from dividends on unvested shares	–	–	–	5	5	–	5
Distributions for perpetual capital securities	–	–	–	(19)	(19)	–	(19)
Ordinary and preference dividends	–	–	–	(950)	(950)	–	(950)
Share-based staff costs capitalised	–	15	–	–	15	–	15
Share buyback held in treasury	(117)	–	–	–	(117)	–	(117)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(6)	–	–	(6)	–	(6)
Shares vested under DSP Scheme	–	43	–	–	43	–	43
Treasury shares transferred/sold	75	(65)	–	–	10	–	10
Total contributions by and distributions to owners	547	45	–	(1,610)	(1,018)	(109)	(1,127)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(6)	(6)	(9)	(15)
Total changes in ownership interests in subsidiaries	–	–	–	(6)	(6)	(9)	(15)
Balance at 31 December 2016	15,606	572	156	20,673	37,007	2,635	39,642
Included: Share of reserves of associates	–	–	35	778	813	(0)	813

OCBC Bank

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)
For the three months ended 31 December 2017

S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 October 2017	**15,653**	**322**	**251**	**21,984**	**38,210**	**2,690**	**40,900**
Total comprehensive income for the period	**–**	**–**	**(131)**	**987**	**856**	**78**	**934**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	**21**	**36**	**–**	**(57)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Preference dividends	**–**	**–**	**–**	**(23)**	**(23)**	**–**	**(23)**
Share-based staff costs capitalised	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Share buyback held in treasury	**(56)**	**–**	**–**	**–**	**(56)**	**–**	**(56)**
Shares vested under DSP Scheme	**–**	**0**	**–**	**–**	**0**	**–**	**0**
Treasury shares transferred/sold	**17**	**0**	**–**	**–**	**17**	**–**	**17**
Total contributions by and distributions to owners	**(18)**	**39**	**–**	**(79)**	**(58)**	**–**	**(58)**
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	**–**	**–**	**–**	**0**	**0**	**0**	**0**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**0**	**0**	**0**	**0**
Balance at 31 December 2017	**15,635**	**361**	**120**	**22,892**	**39,008**	**2,768**	**41,776**
Included:							
Share of reserves of associates	**–**	**–**	**(75)**	**850**	**775**	**–**	**775**
Balance at 1 October 2016	15,600	514	510	19,651	36,275	2,594	38,869
Total comprehensive income for the period	–	–	(354)	1,100	746	41	787
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	4	54	–	(58)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	0	0	–	0
Preference dividends	–	–	–	(20)	(20)	–	(20)
Share-based staff costs capitalised	–	4	–	–	4	–	4
Shares transferred to DSP Trust	–	0	–	–	0	–	0
Shares vested under DSP Scheme	–	0	–	–	0	–	0
Treasury shares transferred/sold	2	–	–	–	2	–	2
Total contributions by and distributions to owners	6	58	–	(78)	(14)	–	(14)
Balance at 31 December 2016	15,606	572	156	20,673	37,007	2,635	39,642
Included:							
Share of reserves of associates	–	–	35	778	813	(0)	813

AUDITED STATEMENT OF CHANGES IN EQUITY – BANK
For the financial year ended 31 December 2017

S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2017	**15,606**	**106**	**8**	**12,561**	**28,281**
Total comprehensive income for the year	**–**	**–**	**4**	**2,020**	**2,024**
Transfers	**21**	**(21)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**6**	**6**
Ordinary and preference dividends	**–**	**–**	**–**	**(1,551)**	**(1,551)**
Distributions for perpetual capital securities	**–**	**–**	**–**	**(19)**	**(19)**
Share-based staff costs capitalised	**–**	**14**	**–**	**–**	**14**
Share buyback held in treasury	**(224)**	**–**	**–**	**–**	**(224)**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**
Treasury shares transferred/sold	**231**	**–**	**–**	**–**	**231**
Balance at 31 December 2017	**15,635**	**99**	**12**	**13,017**	**28,763**
Balance at 1 January 2016	15,059	95	38	11,545	26,737
Total comprehensive income for the year	–	–	(30)	2,299	2,269
Transfers	4	(4)	–	–	–
Arising from merger of subsidiaries	–	–	–	264	264
DSP reserve from dividends on unvested shares	–	–	–	6	6
Ordinary and preference dividends	–	–	–	(950)	(950)
Distributions for perpetual capital securities	–	–	–	(19)	(19)
Share-based staff costs capitalised	–	15	–	–	15
Share buyback held in treasury	(117)	–	–	–	(117)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	75	–	–	–	75
Balance at 31 December 2016	15,606	106	8	12,561	28,281

For the three months ended 31 December 2017 (Unaudited)

S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 October 2017	**15,653**	**117**	**70**	**12,539**	**28,379**
Total comprehensive income for the period	**–**	**–**	**(58)**	**500**	**442**
Transfers	**21**	**(21)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**1**	**1**
Preference dividends	**–**	**–**	**–**	**(23)**	**(23)**
Share-based staff costs capitalised	**–**	**3**	**–**	**–**	**3**
Share buyback held in treasury	**(56)**	**–**	**–**	**–**	**(56)**
Treasury shares transferred/sold	**17**	**–**	**–**	**–**	**17**
Balance at 31 December 2017	**15,635**	**99**	**12**	**13,017**	**28,763**
Balance at 1 October 2016	15,600	106	153	12,065	27,924
Total comprehensive income for the period	–	–	(145)	516	371
Transfers	4	(4)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	0	0
Preference dividends	–	–	–	(20)	(20)
Share-based staff costs capitalised	–	4	–	–	4
Treasury shares transferred/sold	2	–	–	–	2
Balance at 31 December 2016	15,606	106	8	12,561	28,281

AUDITED CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

S$ million	2017	2016	4Q17@	4Q16@
Cash flows from operating activities				
Profit before income tax	**5,216**	4,275	**1,386**	949
Adjustments for non-cash items:				
Amortisation of intangible assets	**104**	96	**26**	24
Allowances for loans and impairment for other assets	**671**	726	**178**	305
Change in hedging transactions, trading, fair value through profit and loss securities and debt issued	**30**	15	**16**	48
Depreciation of property, plant and equipment and investment property	**315**	308	**81**	81
Net gain on disposal of property, plant and equipment and investment property	**(57)**	(160)	**(1)**	(82)
Net gain on disposal of government, debt and equity securities	**(431)**	(198)	**(249)**	(54)
Net (gain)/loss on disposal of interests in subsidiaries and associates	**(33)**	18	**(23)**	–
Share-based costs	**55**	15	**14**	4
Share of results of associates	**(389)**	(396)	**(28)**	(82)
Items relating to life assurance fund				
Surplus before income tax	**1,361**	650	**381**	225
Surplus transferred from life assurance fund	**(876)**	(499)	**(259)**	(144)
Operating profit before change in operating assets and liabilities	**5,966**	4,850	**1,522**	1,274
Change in operating assets and liabilities:				
Deposits of non-bank customers	**19,702**	8,724	**12,891**	7,731
Deposits and balances of banks	**(3,254)**	(1,307)	**(4,154)**	(475)
Derivative payables and other liabilities	**(2,068)**	2,382	**(170)**	2,219
Trading portfolio liabilities	**24**	(47)	**64**	(206)
Government securities and treasury bills	**(3,051)**	(3,474)	**308**	391
Restricted balances with central banks	**(377)**	(104)	**(153)**	(148)
Trading and fair value through profit and loss securities	**(562)**	15	**(52)**	(91)
Placements with and loans to banks	**(9,223)**	(4,300)	**(2,300)**	(818)
Loans and bills receivable	**(15,917)**	(6,350)	**(3,332)**	(8,165)
Derivative receivables and other assets	**1,560**	(2,186)	**247**	(2,971)
Net change in investment assets and liabilities of life assurance fund	**(281)**	(171)	**(609)**	(113)
Cash (used in)/from operating activities	**(7,481)**	(1,968)	**4,262**	(1,372)
Income tax paid	**(681)**	(734)	**(198)**	(169)
Net cash (used in)/from operating activities	**(8,162)**	(2,702)	**4,064**	(1,541)
Cash flows from investing activities				
Dividends from associates	**63**	115	**6**	18
Decrease/(increase) in associates	**43**	99	**1**	(36)
Acquisitions, net of cash acquired	**396**	2,651	**396**	2,651
Purchases of debt and equity securities	**(21,307)**	(12,407)	**(5,453)**	(3,074)
Purchases of property, plant and equipment and investment property	**(263)**	(422)	**(89)**	(143)
Proceeds from disposal of debt and equity securities	**20,084**	12,544	**5,869**	3,069
Proceeds from disposal of interests in subsidiaries and associates	**62**	24	**4**	–
Proceeds from disposal of property, plant and equipment and investment property	**94**	197	**5**	110
Net cash (used in)/from investing activities	**(828)**	2,801	**739**	2,595
Cash flows from financing activities				
Acquisition of non-controlling interests	**(17)**	(15)	**–**	–
Dividends paid to equity holders of the Bank	**(1,548)**	(950)	**(20)**	(20)
Distributions and dividends paid to non-controlling interests	**(107)**	(109)	**–**	–
Redemption of subordinated debt issued	**(1,521)**	(64)	**(681)**	(64)
Net issuance/(redemption) of other debt issued	**15,243**	(3,555)	**955**	(392)
Distributions for perpetual capital securities	**(19)**	(19)	**–**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**178**	10	**17**	2
Share buyback held in treasury	**(224)**	(117)	**(56)**	–
Net cash from/(used in) financing activities	**11,985**	(4,819)	**215**	(474)
Net currency translation adjustments	**(337)**	(4)	**(6)**	176
Net change in cash and cash equivalents	**2,658**	(4,724)	**5,012**	756
Cash and cash equivalents at beginning of year/period	**11,177**	15,901	**8,823**	10,421
Cash and cash equivalents at end of year/period	**13,835**	11,177	**13,835**	11,177

Note:
1. "@" represents unaudited.

SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

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

	Financial year ended 31 Dec		Three months ended 31 Dec	
Number of Shares	**2017**	**2016**	**2017**	**2016**
Issued ordinary shares				
Balance at beginning of year/period	**4,193,729,363**	4,121,561,367	**4,193,784,461**	4,193,729,363
Shares issued to non-executive directors	**55,098**	57,584	**–**	–
Shares issued pursuant to Scrip Dividend Scheme	**–**	72,110,412	**–**	–
Balance at end of year/period	**4,193,784,461**	4,193,729,363	**4,193,784,461**	4,193,729,363
Treasury shares				
Balance at beginning of year/period	**(11,022,010)**	(6,085,703)	**(4,276,716)**	(11,283,128)
Share buyback	**(20,560,000)**	(13,614,000)	**(4,600,000)**	–
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	**13,133,024**	1,496,838	**1,538,213**	260,562
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	**6,302,173**	26,443	**267,736**	556
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	**5,075,828**	7,154,412	**–**	–
Shares sold for cash	**218**	–	**–**	–
Balance at end of year/period	**(7,070,767)**	(11,022,010)	**(7,070,767)**	(11,022,010)
Total	**4,186,713,694**	4,182,707,353	**4,186,713,694**	4,182,707,353

Pursuant to the share purchase mandate approved at the annual general meeting held on 28 April 2017, the Bank purchased a total of 4,600,000 ordinary shares in the fourth quarter ended 31 December 2017. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S$11.13 to S$12.56 per share and the total consideration paid was S$55,589,964 (including transaction costs).

From 1 October 2017 to 31 December 2017 (both dates inclusive), the Bank utilised 1,538,213 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 (“SOS 2001”). As at 31 December 2017, the number of options outstanding under the OCBC SOS 2001 was 36,584,962 (31 December 2016: 40,887,286).

From 1 October 2017 to 31 December 2017 (both dates inclusive), the Bank utilised 267,736 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan (“ESPP”). As at 31 December 2017, the number of acquisition rights outstanding under the OCBC ESPP was 14,584,083 (31 December 2016: 15,662,202).

No new preference shares were allotted and issued by the Bank in the fourth quarter ended 31 December 2017.

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. Pursuant to Rule 704(13) of the Listing Manual, for the financial year ended 31 December 2017, there was no person occupying managerial position in the Bank or in any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Bank.

3. 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.

The extract of the auditors' report dated 13 February 2018, on the financial statements of Oversea-Chinese Banking Corporation Limited and its subsidiaries for the year ended 31 December 2017, is as follows:

KPMG

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

To The Members of Oversea-Chinese Banking Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Oversea-Chinese Banking Corporation Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Bank as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 16 to 160.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment of loans and bills receivable (Refer to Notes 9, 26, 28 and 29 to the financial statements.)	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2017, the Group's loans and bills receivable comprised 51% of its total assets. The determination of impairment allowance required on loans and bills receivable is highly subjective due to judgement applied both in identifying impaired exposures and in estimating the related allowances. These estimates include amounts and timing of expected cash flows and collateral values. As a result of the significance of loans and bills receivable and the related estimation uncertainty, together with the heightened credit risk in certain industry sectors, the impairment of loans and bills receivable is considered a key audit risk. In 2017, the portfolio that gave rise to a significant degree of estimation uncertainty was the oil and gas sector portfolio. The extended low oil prices and the weak demand of oil and gas platforms and offshore vessels have impacted a number of borrowers in the portfolio. We were also focussed on other individually significant exposures that have become or were at risk of being impaired. These included credit exposures that were refinanced or restructured and non-performing loans.	We tested key controls in place over the credit approval, grading and monitoring of loans and bills receivable. We also tested the controls over the determination of impairment allowances for individually assessed loans and bills receivable. For a sample of exposures, we performed credit file reviews to test the appropriateness of credit grading, and collectibility of loans. We challenged the Group's assumptions of the expected future cash flows including the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and externally derived evidence. In view of the sustained downturn in the oil and gas sector, we scoped in additional loans in this sector for credit assessment. We recomputed management's calculation of portfolio allowances to ascertain that the Group's portfolio allowances were maintained in accordance with the requirements of MAS Notice 612. In our view, the impairment allowances were within an acceptable range of estimates.

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Valuation of financial instruments held at fair value (Refer to Notes 18, 22, 24, 25, 30 and 41 to the financial statements.)	
The key audit matter	*How the matter was addressed in our audit*
The fair value of financial instruments is determined through the application of valuation models and the use of assumptions and estimates. Due to the significance of financial instruments to the Group and the related estimation uncertainty, this is considered a key audit focus area. These financial instruments include those held by Great Eastern Holdings Limited (GEH). GEH is audited by another firm of public accountants. Of the financial instruments that were carried at fair value in the Group's balance sheet as at 31 December 2017, the significant majority qualified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in the market or through models with market observable inputs, resulting in a lower valuation risk. The remaining financial instruments were classified as Level 3. These instruments comprised mainly unlisted debt and equity investments and derivatives. The valuation of these instruments involved the application of unobservable inputs such as cash flow forecasts, discount rates and volatility, amongst others. As such, there was greater estimation uncertainty in the determination of the fair value of these instruments.	We assessed the controls over the measurement of financial instruments at their fair values. These controls include independent price verification, governance over valuation models, model validation and management reporting of valuation risk. For a sample of financial instruments, we used our valuation specialists to assess that the valuation models were reasonable. For a selection of pricing inputs, we checked that the inputs used were appropriately sourced and accurately input into pricing models. Additionally, we priced a selection of the Group's derivative positions independently and compared the values to the Group's valuations. For a sample of Level 3 instruments, we assessed the appropriateness of the valuation methodology, and the reasonableness of key inputs and assumptions. We also considered alternative valuation methods and assessed sensitivities to key factors. In respect of the valuation of financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were reasonable. Overall, in our view, the values of the Group's financial instruments were within an acceptable range of estimates.

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<table>
<tr><td colspan="2">Valuation of insurance contract liabilities
(Refer to Notes 4, 22, 39 and 41 to the financial statements.)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's insurance operations are entirely conducted through its subsidiary, Great Eastern Holdings Limited (GEH).

The Group's insurance business comprises life and general insurance contracts. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

The valuation of life insurance contract liabilities is dependent on the valuation method adopted and key assumptions such as prevailing interest rates of government securities and estimates of mortality, disability, dread disease, expenses, lapse and surrenders based on GEH's internal experience studies and publicly available data.

The valuation of general insurance contract liabilities is dependent on estimates including the ultimate settlement cost of claims reported, and claims incurred but not yet reported.

Changes in the assumptions used in calculation of the valuation could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement.</td><td>We planned, scoped and issued group audit instructions to GEH's auditors to obtain an independent auditors' report of the significant component. The scope of reporting included valuation of liabilities of the insurance business.

We reviewed GEH's auditors' working papers and involved our actuarial specialists in our discussions with GEH's auditors.

We independently assessed, through a review of procedures carried out by GEH's auditors, that the valuation methodologies and assumptions relating to the measurement and estimation of insurance contract liabilities were reasonable.

Based on the reports from GEH's auditors and our review of GEH's auditors' working papers, we concluded that the valuation methods and assumptions used by the Group were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.</td></tr>
</table>

Impairment of goodwill (Refer to Note 37 to the financial statements.)	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2017, the Group's balance sheet included goodwill of $4.5 billion arising from a number of acquisitions. Goodwill is impaired if its carrying amount is not supported by the recoverable amount of the respective cash generating units (CGUs). The recoverable amounts are determined based on estimates that require significant judgement in application of methodologies, and assumptions. In respect of goodwill of banking CGUs amounting to $4.0 billion, the recoverable amounts were determined using the value-in-use method, based on estimated future cash flows for each CGU discounted at an appropriate discount rate. Significant management judgement included the expected future cash flows, the discount rate and terminal growth rate. In respect of the insurance CGU, the recoverable amount was estimated using the appraisal value method, based on the adjusted shareholders' funds and the expected future profits generated by the portfolio of the business in force at the valuation date and the capacity to generate future profitable new business. Significant assumptions used in the assessment of these values included the discount rate and the investment return rates.	We assessed the appropriateness of management's identification of the Group's CGUs. We involved our valuation specialists to assess the methodologies applied and assumptions used for determining recoverable amounts. For the banking CGUs, we assessed management's future cash flow projections for consistency with historical cash flows and business plans and investigated reasons for significant deviations. We challenged the key assumptions including discount rate and growth rate by comparing with external sources and economic metrics. We also reperformed calculations using the models. For the insurance CGU, we assessed management's assumptions on discount rates and investment returns through our review of GEH's auditors' working papers on valuation of insurance contracts. We also performed sensitivity analysis on the impact of change in key assumptions to the appraisal value. Based on the results of our test procedures, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.

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Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and auditor's report thereon.

We have obtained all other information prior to the date of this auditors' report except for Our Well-diversified Business, Letter from Chairman and CEO, Our Year In Review, Sustainability Report, Corporate Governance, Management Discussion and Analysis and Ordinary/Preference Shareholding Statistics (the Reports), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

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

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

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

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Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Leong Kok Keong.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2018