
Media Release

OCBC Group Second Quarter 2018 Net Profit Up 16% Year-on-Year to a Record S\$1.21 billion

Half year net profit grew 22% to a new high of S\$2.32 billion

Singapore, 6 August 2018 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$1.21 billion for the second quarter of 2018 (“2Q18”), climbing 16% from S\$1.04 billion a year ago (“2Q17”), and 9% from S\$1.11 billion in the previous quarter (“1Q18”). The strong results, which boosted 2Q18 return on equity to 12.6% from 11.4% a year ago, were driven by robust performance across each of the Group’s banking, wealth management and insurance businesses.

Strong loan growth and higher net interest margin (“NIM”) drove 2Q18 net interest income to a new high of S\$1.45 billion, which was 8% above S\$1.35 billion a year ago. Average customer loans grew 11%, driven by broad-based growth across most industries and geographical segments. NIM expanded 2 basis points to 1.67% from 1.65% a year ago, boosted by higher asset yields in Singapore and Malaysia which saw higher NIMs in both markets, more than offsetting higher funding costs in the rising interest rate environment.

Non-interest income in the second quarter was S\$1.02 billion, an increase of 2% year-on-year. Led by growth in wealth management, trade-related and investment banking fees, income from fees and commissions rose 5% to S\$518 million. Net trading income, mainly comprising treasury-related income from customer flows, increased 37% to S\$192 million. Net realised gains from the sale of investment securities were lower at S\$2 million as compared to S\$54 million in 2Q17. Profit from life assurance was S\$191 million against S\$195 million a year ago. Great Eastern Holdings’ (“GEH”) total weighted new sales grew 28% to S\$327 million, driven by higher sales in Singapore, and new business embedded value was up 8% to S\$140 million.

Operating expenses increased 4% to S\$1.04 billion from S\$993 million in 2Q17, reflecting an increase in staff costs, along with higher technology-related expenses as the Group continued to drive its digitalisation strategy. Allowances for loans and other assets were S\$21 million as compared to S\$169 million a year ago.

The Group’s share of results of associates was S\$112 million in 2Q18.

As compared to the previous quarter, the Group's net profit after tax grew 9%. Income growth was broad-based: net interest income increased 2% quarter-on-quarter, and non-interest income was up 12%, led by higher insurance and trading income. Fee income decreased 3% from the previous quarter, mainly from a fall in wealth management fees, reflecting lower client activity in a generally "risk-off" market environment. However, our private banking arm, Bank of Singapore, continued to report strong net new money inflows in 2Q18. The cost-to-income ratio ("CIR") improved to 41.9% from 44.2% in 1Q18, driven by the 6% increase in total income while operating expenses remained well-managed and were flat quarter-on-quarter. Allowances of S\$21 million were higher than the low base of S\$12 million in the previous quarter.

First Half Performance

The Group reported net profit after tax for the first half of 2018 ("1H18") of S\$2.32 billion, which was 22% higher than S\$1.90 billion a year ago ("1H17").

Net interest income increased 9% to S\$2.87 billion from S\$2.62 billion in 1H17. This was driven by a 7% rise in average asset volumes and a 3 basis points increase in NIM as asset yields outpaced a rise in funding costs. Non-interest income was up 5% at S\$1.94 billion. Fee and commission income rose 8% to S\$1.05 billion, with broad-based fee growth led by wealth management, fund management and trade-related activities. Net trading income of S\$286 million was down 4% from S\$298 million a year ago. Net gains from the sale of investment securities were S\$10 million as compared to S\$119 million in 1H17. Profit from life assurance rose 46% year-on-year to S\$357 million.

The Group's overall wealth management-related income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, made up 31% of the Group's total income and grew to S\$1.49 billion, 11% higher than S\$1.34 billion a year ago. Assets under management ("AUM") in Bank of Singapore rose to US\$102 billion (S\$139 billion) as at 30 June 2018, up 14% from US\$89 billion (S\$123 billion) a year ago. On a quarter-on-quarter basis, AUM was unchanged, as net new money inflows which continued to be strong were offset by a reduction in the value of AUM due to lower market valuation.

Operating expenses increased 5% to S\$2.07 billion while CIR improved to 43.0% from 44.0% in 1H17. Net allowances for loans and other assets were S\$33 million, significantly lower as compared to S\$337 million a year ago.

Share of profits from associates was S\$237 million in 1H18, slightly above S\$233 million in the previous year.

Annualised return on equity for 1H18 rose to 12.2%, from 10.5% a year ago. Annualised earnings per share was higher at 111.4 cents, as compared to 90.3 cents in 1H17.

Allowances and Asset Quality

Total allowances for loans and other assets in 2Q18 were S\$21 million. This was S\$9 million higher quarter-on-quarter but significantly lower than S\$169 million a year ago when allowances were set aside for corporate accounts in the oil and gas support vessels and services sector.

The asset quality of the loan portfolio was stable. Total non-performing assets of S\$3.51 billion as at 30 June 2018 were slightly higher than S\$3.45 billion in the previous quarter, and the non-performing loans ratio remained stable quarter-on-quarter at 1.4%.

Funding and Capital Position

The Group maintained its strong funding and capital position. Customer loans grew 10% year-on-year to S\$252 billion across the Group's corporate and consumer businesses. Customer deposits similarly were up 10% to S\$290 billion, supported by a 3% increase in current account and savings ("CASA") deposits. As at 30 June 2018, CASA deposits represented 47.7% of total non-bank deposits, up from 47.1% in the previous quarter. The loans-to-deposits ratio stood at 85.9%.

For 2Q18, the average Singapore dollar and all-currency liquidity coverage ratios for the Group were 249% and 138% respectively, well above the respective regulatory ratios of 100% and 90%. The net stable funding ratio of 108% was higher than the minimum regulatory requirement of 100%.

Based on Basel III rules which came into full effect on 1 January 2018, the Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 30 June 2018, were 13.2%, 14.3% and 15.9% respectively. These ratios were well above the respective regulatory minima of 6.5%, 8% and 10%. In addition to these minimum capital requirements, a capital conservation buffer ("CCB") of 2.5% and countercyclical buffer of up to 2.5% are being phased in from 2016 and will be fully implemented in 2019. The CCB requirement was 1.875% as at 1 January 2018, and will be increased by 0.625% to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.0% was better than the 3% minimum regulatory requirement.

Interim Dividend

An interim dividend of 20 cents per share has been declared for the first half of 2018, 2 cents higher than the 18 cents interim dividend declared a year ago. The interim dividend payout will amount to approximately S\$837 million, representing 36% of the Group's 1H18 net profit after tax.

The Scrip Dividend Scheme will be applicable to the interim dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average of the daily volume weighted average prices during the price determination period from 15 August to 17 August 2018, both dates inclusive.

CEO's Comments

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

"Our record quarterly performance reflects the resilience and strong foundation for growth of our diversified banking, wealth management and insurance franchise. Yearly and quarterly revenue growth was driven by increases in both net interest and non-interest income. 2Q18 net interest income rose from a year ago, driven by robust loan growth and improved asset yields in both the Singapore and Malaysia markets. Non-interest income growth was broad-based, led by higher fees, trading income and insurance income. Operating expenses were well-managed and credit costs remained low.

The operating environment is increasingly challenging and we are watchful of the severe implications to the global economy and financial markets from the escalating trade and political tensions. With our strong and diversified franchise, capital and balance sheet, we are well-positioned and committed to supporting our customers and pursuing long-term sustainable and stable growth for our shareholders."

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 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 580 branches and representative offices in 18 countries and regions. These include over 310 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:

Unaudited Financial Results for the Second Quarter Ended 30 June 2018

For the second quarter ended 30 June 2018, Group reported net profit after tax was S\$1.21 billion. Details of the financial results are in the accompanying Group Financial Report.

Ordinary Dividend

An interim tax exempt dividend of 20 cents per share (2017: 18 cents tax exempt) has been declared for the first half-year 2018. The interim dividend payout will amount to an estimated S\$837 million (2017: S\$753 million) or approximately 36% of the Group’s net profit after tax of S\$2.32 billion for 1H18.

Closure of Books

The books closure date is 17 August 2018. Please refer to the separate announcement titled “Notice of Books Closure and Application of Scrip Dividend Scheme to FY18 Interim Dividend” released by the Bank today.

Scrip Dividend Scheme

The Scrip Dividend Scheme will be applicable to the interim dividend. The issue price for the new shares, to be allotted to shareholders who have elected to receive scrip for the interim dividend, will be set at a 10% discount to the average of the daily volume weighted average prices of the shares for each of the market days during the price determination period between 15 August 2018 (the ex-dividend date) to 17 August 2018 (the books closure date), both dates inclusive. Further details can be found in a separate announcement titled “Application of Scrip Dividend Scheme to FY18 Interim Dividend” released by the Bank today.

Peter Yeoh
Secretary

Singapore, 6 August 2018

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

Oversea-Chinese Banking Corporation Limited
Second Quarter 2018 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 adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)”) with effect from 1 January 2018. OCBC Group prepared its first set of financial statements for the first quarter of 2018 in accordance with SFRS(I).

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2018:

SFRS(I) 9	<i>Financial Instruments</i>
SFRS(I) 15	<i>Revenue from Contracts with Customers</i>
SFRS(I) 1-28 (Amendments)	<i>Measuring an Associate or Joint Venture at Fair Value</i>
SFRS(I) 1-40 (Amendments)	<i>Investment Property: Transfers of Investment Property</i>
SFRS(I) 2 (Amendments)	<i>Share-based Payment: Classification and Measurement of Share-based Payment Transactions</i>
SFRS(I) 4 (Amendments)	<i>Insurance Contracts: Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts</i>
SFRS(I) INT 22	<i>Foreign Currency Transactions and Advance Consideration</i>

On initial implementation of SFRS(I), OCBC Group was required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In this regard, the date of transition to SFRS(I) for the Group is 1 January 2017, unless otherwise stated.

The initial application of the above standards (including their consequential amendments) and interpretations did not have a significant impact on the Group’s financial statements, except for SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* and SFRS(I) 9 *Financial Instruments*.

Financial Results

The Group reported a net profit after tax of S\$1.21 billion for the second quarter ended 30 June 2018 (“2Q18”), representing a 16% increase from S\$1.04 billion a year ago (“2Q17”).

Net interest income for 2Q18 was S\$1.45 billion and was 8% higher as compared to S\$1.35 billion a year ago, underpinned by strong loan growth and improved net interest margin. Non-interest income was up 2% to S\$1.02 billion, from S\$1.01 billion a year ago. Fee and commission income was S\$518 million, 5% higher as compared to S\$492 million in 2Q17, driven by growth in wealth management, trade-related and investment banking fees. Net trading income was 37% higher at S\$192 million for the quarter, while net realised gains from the sale of investment securities were lower at S\$2 million as compared to S\$54 million in 2Q17. Profit from life assurance decreased 2% to S\$191 million from S\$195 million a year ago. The Group’s share of results of associates was 6% lower at S\$112 million in 2Q18.

Operating expenses rose 4% to S\$1.04 billion in 2Q18, from S\$993 million a year ago, largely attributable to higher staff costs and technology-related expenses. Total allowances for loans and other assets were lower at S\$21 million, compared to S\$169 million a year ago. The Group’s non-performing loans (“NPL”) ratio was 1.4% as at 30 June 2018, as compared to 1.3% the previous year.

For the first half of 2018 (“1H18”), the Group’s net profit after tax was S\$2.32 billion, an increase of 22% from S\$1.90 billion a year ago (“1H17”), led by broad-based income growth, which more than offset the increase in operating expenses.

Annualised return on equity was 12.2% in 1H18, up from 10.5% a year ago. Annualised earnings per share was 111.4 cents, as compared to 90.3 cents in 1H17.

FINANCIAL SUMMARY *(continued)*

S\$ million	1H18	1H17	+/(-)	2Q18	2Q17	+/(-)	1Q18	+/(-)
			%			%		%
Selected Income Statement Items								
Net interest income	2,865	2,617	9	1,450	1,345	8	1,415	2
Non-interest income	1,942	1,856	5	1,024	1,006	2	918	12
Total income	4,807	4,473	7	2,474	2,351	5	2,333	6
Operating expenses	(2,067)	(1,966)	5	(1,035)	(993)	4	(1,032)	–
Operating profit before allowances and amortisation	2,740	2,507	9	1,439	1,358	6	1,301	10
Amortisation of intangible assets	(51)	(53)	(4)	(26)	(27)	(3)	(25)	1
Allowances for loans and other assets	(33)	(337)	(90)	(21)	(169)	(87)	(12)	81
Operating profit after allowances and amortisation	2,656	2,117	25	1,392	1,162	20	1,264	10
Share of results of associates	237	233	1	112	119	(6)	125	(10)
Profit before income tax	2,893	2,350	23	1,504	1,281	17	1,389	8
Net profit attributable to shareholders	2,321	1,903	22	1,209	1,041	16	1,112	9
Cash basis net profit attributable to shareholders ^{1/}	2,372	1,956	21	1,235	1,068	16	1,137	8
Selected Balance Sheet Items								
Ordinary equity	38,983	36,542	7	38,983	36,542	7	38,533	1
Total equity <i>(excluding non-controlling interests)</i>	39,483	38,042	4	39,483	38,042	4	39,033	1
Total assets	464,631	427,785	9	464,631	427,785	9	458,405	1
Assets excluding life assurance fund investment assets	389,359	360,912	8	389,359	360,912	8	383,831	1
Loans and bills receivable <i>(net of allowances)</i>	249,474	225,355	11	249,474	225,355	11	243,780	2
Deposits of non-bank customers	290,292	264,421	10	290,292	264,421	10	288,770	1

Notes:

1. Excludes amortisation of intangible assets.
2. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

FINANCIAL SUMMARY (continued)

	1H18	1H17	2Q18	2Q17	1Q18
Key Financial Ratios					
Performance ratios (% p.a.)					
Return on equity ^{1/2/}	12.2	10.5	12.6	11.4	11.8
Return on assets ^{3/}	1.22	1.08	1.26	1.16	1.18
Revenue mix/efficiency ratios (%)					
Net interest margin (annualised)	1.67	1.64	1.67	1.65	1.67
Net interest income to total income	59.6	58.5	58.6	57.2	60.7
Non-interest income to total income	40.4	41.5	41.4	42.8	39.3
Cost-to-income	43.0	44.0	41.9	42.2	44.2
Loans-to-deposits	85.9	85.2	85.9	85.2	84.4
NPL ratio	1.4	1.3	1.4	1.3	1.4
Earnings per share ^{2/} (annualised - cents)					
Basic earnings	111.4	90.3	115.4	98.4	107.3
Diluted earnings	111.1	90.2	115.1	98.3	107.0
Net asset value per share (S\$)					
Before valuation surplus	9.31	8.73	9.31	8.73	9.21
After valuation surplus	11.77	10.78	11.77	10.78	11.82
Capital adequacy ratios (%)					
Common Equity Tier 1	13.2	13.0	13.2	13.0	13.1
Tier 1	14.3	13.9	14.3	13.9	14.2
Total	15.9	16.1	15.9	16.1	15.8
Leverage ratio (%) ^{5/}					
	7.0	7.8	7.0	7.8	7.0
Liquidity coverage ratios (%) ^{6/}					
Singapore dollar	240	264	249	260	230
All-currency	144	144	138	144	149
Net stable funding ratio (%) ^{7/}					
	na	na	108	na	106

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. Computation of return on assets excludes life assurance fund investment assets.
4. Return on equity, return on assets, net interest margin and earnings per share are computed on an annualised basis.
5. The Group's Leverage ratios are computed based on MAS Notice 637.
6. The Group's Liquidity coverage ratios ("LCR") are computed based on MAS Notice 649 and reported based on the average LCR for the respective periods.
7. The Group's Net stable funding ratio is computed based on MAS Notice 652.
8. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.
9. "na" denotes not applicable.

NET INTEREST INCOME

Average Balance Sheet

S\$ million	1H18			1H17		
	Average Balance	Interest	Average Rate ^{2/} %	Average Balance	Interest	Average Rate ^{2/} %
Interest earning assets						
Loans and advances to non-bank customers	243,247	3,846	3.19	220,740	3,314	3.03
Placements with and loans to banks	53,270	753	2.85	53,903	476	1.78
Other interest earning assets	49,439	621	2.53	47,931	568	2.39
Total	345,956	5,220	3.04	322,574	4,358	2.72
Interest bearing liabilities						
Deposits of non-bank customers	285,993	1,907	1.34	262,924	1,394	1.07
Deposits and balances of banks	8,979	86	1.94	12,562	72	1.15
Other borrowings	31,093	362	2.34	26,013	275	2.13
Total	326,065	2,355	1.46	301,499	1,741	1.16
Net interest income/margin ^{1/}		2,865	1.67		2,617	1.64

S\$ million	2Q18			2Q17			1Q18		
	Average Balance	Interest	Average Rate ^{2/} %	Average Balance	Interest	Average Rate ^{2/} %	Average Balance	Interest	Average Rate ^{2/} %
Interest earning assets									
Loans and advances to non-bank customers	246,446	1,999	3.25	222,896	1,690	3.04	240,011	1,847	3.12
Placements with and loans to banks	51,978	389	3.00	55,271	257	1.87	54,577	364	2.71
Other interest earning assets	49,320	322	2.62	48,835	294	2.41	49,559	299	2.45
Total	347,744	2,710	3.13	327,002	2,241	2.75	344,147	2,510	2.96
Interest bearing liabilities									
Deposits of non-bank customers	287,888	1,021	1.42	263,585	710	1.08	284,076	886	1.27
Deposits and balances of banks	8,711	46	2.13	13,100	41	1.26	9,249	40	1.75
Other borrowings	30,988	193	2.50	29,290	145	1.98	31,200	169	2.19
Total	327,587	1,260	1.54	305,975	896	1.17	324,525	1,095	1.37
Net interest income/margin ^{1/}		1,450	1.67		1,345	1.65		1,415	1.67

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 8% to S\$1.45 billion in 2Q18, up from S\$1.35 billion a year ago, driven by strong loan growth and higher net interest margin. Net interest margin rose 2 basis points to 1.67%, from 1.65% in 2Q17, largely attributable to higher asset yields in Singapore and Malaysia which saw higher NIMs in both markets, partly offset by higher funding costs in the rising interest rate environment.

Net interest income was 2% higher from S\$1.42 billion a quarter ago, underpinned by loan growth. Net interest margin was stable quarter-on-quarter.

Volume and Rate Analysis

Increase/(decrease) due to change in: S\$ million	1H18 vs 1H17			2Q18 vs 2Q17			2Q18 vs 1Q18		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
Interest income									
Loans and advances to non-bank customers	338	194	532	179	130	309	50	82	132
Placements with and loans to banks	(5)	282	277	(15)	147	132	(18)	38	20
Other interest earning assets	18	35	53	2	26	28	(1)	21	20
Total	351	511	862	166	303	469	31	141	172
Interest expense									
Deposits of non-bank customers	123	390	513	66	245	311	12	113	125
Deposits and balances of banks	(21)	35	14	(14)	19	5	(2)	8	6
Other borrowings	54	33	87	8	40	48	(1)	23	22
Total	156	458	614	60	304	364	9	144	153
Impact on net interest income	195	53	248	106	(1)	105	22	(3)	19
Due to change in number of days			–			–			16
Net interest income			248			105			35

NON-INTEREST INCOME

S\$ million	1H18	1H17	+ / (-)	2Q18	2Q17	+ / (-)	1Q18	+ / (-)
			%			%		%
Fees and commissions								
Brokerage	41	35	19	16	17	(2)	25	(34)
Wealth management	480	430	12	225	215	5	255	(12)
Fund management	58	52	10	29	27	7	29	(1)
Credit card	80	79	2	45	44	2	35	29
Loan-related	147	146	1	76	79	(2)	71	8
Trade-related and remittances	114	105	9	59	53	12	55	7
Guarantees	9	9	(3)	5	5	(6)	4	(4)
Investment banking	53	53	–	31	24	27	22	47
Service charges	54	46	16	23	19	15	31	(29)
Others	18	18	2	9	9	6	9	9
Sub-total	1,054	973	8	518	492	5	536	(3)
Dividends	53	42	29	34	27	31	19	83
Rental income	40	41	(4)	20	20	(4)	20	(3)
Profit from life assurance	357	244	46	191	195	(2)	166	14
Premium income from general insurance	83	73	14	43	38	13	40	8
Other income								
Net trading income	286	298	(4)	192	140	37	94	106
Net gain from investment securities	10	119	(92)	2	54	(97)	8	(81)
Net gain from disposal of subsidiaries	5	18	(72)	5	18	(72)	–	–
Net gain from disposal of properties	33	30	9	9	6	42	24	(63)
Others	21	18	15	10	16	(36)	11	(3)
Sub-total	355	483	(27)	218	234	(7)	137	60
Total non-interest income	1,942	1,856	5	1,024	1,006	2	918	12
Fees and commissions/Total income	21.9%	21.8%		21.0%	20.9%		23.0%	
Non-interest income/Total income	40.4%	41.5%		41.4%	42.8%		39.3%	

Note:

- Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

Non-interest income was S\$1.02 billion for 2Q18, and was 2% higher as compared to S\$1.01 billion a year ago.

Fee and commission income rose 5% to S\$518 million for the quarter, from S\$492 million in 2Q17. This was largely driven by an increase in wealth management, investment banking and trade-related activities. Net trading income, predominantly treasury-related income from customer flows, of S\$192 million was higher as compared to S\$140 million a year ago. Net realised gains from the sale of investment securities were lower at S\$2 million as compared to S\$54 million in 2Q17.

Compared to 1Q18, non-interest income grew 12% from S\$918 million, led by higher net trading income and profit from life assurance.

OPERATING EXPENSES

S\$ million	1H18	1H17	+ / (-) %	2Q18	2Q17	+ / (-) %	1Q18	+ / (-) %
Staff costs								
Salaries and other costs	1,170	1,104	6	568	560	1	602	(5)
Share-based expenses	31	27	15	18	14	28	13	39
Contribution to defined contribution plans	94	90	5	47	45	5	47	(1)
	1,295	1,221	6	633	619	2	662	(4)
Property and equipment								
Depreciation	157	155	1	79	77	2	78	2
Maintenance and hire of property, plant & equipment	58	59	(1)	29	30	–	29	3
Rental expenses	51	49	3	26	24	2	25	–
Others	130	124	5	68	64	8	62	12
	396	387	2	202	195	4	194	5
Other operating expenses	376	358	5	200	179	12	176	14
Total operating expenses	2,067	1,966	5	1,035	993	4	1,032	–
Group staff strength								
Period end	29,612	29,207	1	29,612	29,207	1	29,444	1
Average	29,401	29,600	(1)	29,517	29,491	–	29,285	1
Cost-to-income ratio	43.0%	44.0%		41.9%	42.2%		44.2%	

Note:

1. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

Operating expenses for the quarter were up 4% at S\$1.04 billion, from S\$993 million in 2Q17. Staff costs rose 2% to S\$633 million, as compared to S\$619 million a year ago. Property and equipment-related expenses were S\$202 million in 2Q18, an increase of 4% from S\$195 million in 2Q17, largely from higher technology-related expenses. Other operating expenses were 12% higher at S\$200 million as compared to S\$179 million a year ago.

Compared with 1Q18, operating expenses were stable quarter-on-quarter.

The cost-to-income ratio was 41.9% in 2Q18 and 43.0% for 1H18, an improvement from 42.2% and 44.0% in the respective periods a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S\$ million	1H18	1H17	+/(-) %	2Q18	2Q17	+/(-) %	1Q18	+/(-) %
Allowances/(write-back) for impaired loans ^{1/}								
Singapore	(38)	156	(125)	(38)	60	(165)	0	nm
Malaysia	23	29	(21)	16	21	(22)	7	150
Greater China	1	13	(92)	0	8	(93)	1	(13)
Others	60	15	311	55	16	248	5	997
	46	213	(78)	33	105	(69)	13	165
Allowances for impaired other assets	7	26	(72)	9	5	58	(2)	648
Allowances for non-impaired loans ^{2/}	2	98	(98)	(14)	59	(124)	16	(186)
Allowances for non-impaired other assets	(22)	–	–	(7)	–	–	(15)	57
Allowances for loans and other assets	33	337	(90)	21	169	(87)	12	81

Notes:

1. Referred to as specific allowances for periods prior to 2018.
2. Referred to as portfolio allowances for periods prior to 2018.

Allowances for loans and other assets were S\$21 million in 2Q18, an increase from the low base of S\$12 million in the previous quarter, as compared to S\$169 million a year ago when allowances were set aside for corporate accounts in the oil and gas support vessels and services sector.

LOANS AND ADVANCES

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Loans to customers	243,924	238,475	229,523	221,490
Bills receivable	8,440	8,187	7,798	7,315
Gross loans to customers	252,364	246,662	237,321	228,805
Allowances				
Impaired loans	(1,229)	(1,207)	(1,236)	(643)
Non-impaired loans	(1,088)	(1,103)	(1,417)	(2,300)
	250,047	244,352	234,668	225,862
Less: assets pledged	(573)	(572)	(527)	(507)
Loans net of allowances	249,474	243,780	234,141	225,355
By Maturity				
Within 1 year	106,449	102,166	96,639	90,220
1 to 3 years	38,202	38,427	36,861	38,187
Over 3 years	107,713	106,069	103,821	100,398
	252,364	246,662	237,321	228,805
By Industry				
Agriculture, mining and quarrying	8,332	7,140	8,073	7,855
Manufacturing	15,176	14,055	12,501	13,530
Building and construction	40,931	38,476	35,436	36,683
Housing loans	65,885	65,087	64,542	60,998
General commerce	31,647	30,198	29,010	27,247
Transport, storage and communication	11,122	10,530	11,568	12,367
Financial institutions, investment and holding companies	38,718	41,590	37,838	32,736
Professionals and individuals	30,925	30,182	28,704	27,573
Others	9,628	9,404	9,649	9,816
	252,364	246,662	237,321	228,805
By Currency				
Singapore Dollar	88,940	89,008	85,485	83,378
United States Dollar	65,183	61,439	61,445	59,685
Malaysian Ringgit	21,074	20,877	20,481	20,091
Indonesian Rupiah	8,392	7,840	7,795	7,652
Hong Kong Dollar	35,996	33,740	33,011	30,990
Chinese Renminbi	5,062	5,173	4,626	5,574
Others	27,717	28,585	24,478	21,435
	252,364	246,662	237,321	228,805
By Geography ^{1/}				
Singapore	104,477	103,778	99,872	95,853
Malaysia	29,683	29,165	28,231	27,899
Indonesia	19,992	18,973	19,259	19,646
Greater China	65,190	62,805	59,114	55,918
Other Asia Pacific	13,011	12,896	12,754	12,756
Rest of the World	20,011	19,045	18,091	16,733
	252,364	246,662	237,321	228,805

Note:

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

Gross customer loans were S\$252 billion as at 30 June 2018, an increase of 10% from a year ago and up 2% from the previous quarter. By industry, the year-on-year loan growth was led by housing loans, loans to financial institutions, investment and holding companies, the general commerce sector and building and construction sector.

NON-PERFORMING ASSETS

S\$ million	Total NPAs ^{1/}	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs %	NPLs ^{2/}	NPL Ratio ^{2/} %
Singapore							
30 Jun 2018	936	587	183	166	76.7	909	0.9
31 Mar 2018	1,011	667	201	143	74.3	984	0.9
31 Dec 2017	1,132	772	212	148	73.1	1,086	1.1
30 Jun 2017	884	414	306	164	62.9	828	0.9
Malaysia							
30 Jun 2018	825	434	352	39	76.1	822	2.8
31 Mar 2018	860	493	321	46	78.4	854	2.9
31 Dec 2017	862	485	335	42	77.4	857	3.0
30 Jun 2017	719	596	76	47	79.1	717	2.6
Indonesia							
30 Jun 2018	746	505	69	172	66.1	745	3.7
31 Mar 2018	637	448	25	164	73.4	636	3.4
31 Dec 2017	589	399	29	161	73.4	588	3.1
30 Jun 2017	628	386	98	144	65.5	626	3.2
Greater China							
30 Jun 2018	223	88	93	42	56.2	222	0.3
31 Mar 2018	248	97	102	49	59.0	247	0.4
31 Dec 2017	232	74	110	48	54.4	232	0.4
30 Jun 2017	323	178	94	51	50.4	323	0.6
Other Asia Pacific							
30 Jun 2018	288	214	74	0	52.6	277	2.1
31 Mar 2018	279	250	29	–	68.1	268	2.1
31 Dec 2017	252	223	29	–	68.7	252	2.0
30 Jun 2017	286	256	30	–	62.7	286	2.2
Rest of the World							
30 Jun 2018	496	481	13	2	97.5	496	2.5
31 Mar 2018	417	404	12	1	97.8	416	2.2
31 Dec 2017	401	386	13	2	97.3	400	2.2
30 Jun 2017	80	75	4	1	91.8	79	0.5
Group							
30 Jun 2018	3,514	2,309	784	421	74.0	3,471	1.4
31 Mar 2018	3,452	2,359	690	403	76.4	3,405	1.4
31 Dec 2017	3,468	2,339	728	401	75.5	3,415	1.5
30 Jun 2017	2,920	1,905	608	407	66.8	2,859	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\$3.51 billion as at 30 June 2018, an increase of 2% as compared to the previous quarter, and were up 20% from S\$2.92 billion a year ago. The year-on-year increase was largely attributable to corporate accounts in the oil and gas support vessels and services sector.

The Group’s NPL ratio of 1.4% was higher as compared to 1.3% a year ago and remained stable quarter-on-quarter. Of the total NPAs, 66% were in the substandard category and 74% were secured by collateral.

	30 Jun 2018		31 Mar 2018		31 Dec 2017		30 Jun 2017	
	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans
NPLs by Industry								
Loans and advances								
Agriculture, mining and quarrying	285	3.4	298	4.2	305	3.8	152	1.9
Manufacturing	402	2.6	395	2.8	304	2.4	289	2.1
Building and construction	67	0.2	66	0.2	59	0.2	98	0.3
Housing loans	420	0.6	409	0.6	392	0.6	461	0.8
General commerce	329	1.0	311	1.0	291	1.0	356	1.3
Transport, storage and communication	1,201	10.8	1,166	11.1	1,277	11.0	654	5.3
Financial institutions, investment and holding companies	370	1.0	363	0.9	376	1.0	452	1.4
Professionals and individuals	128	0.4	136	0.5	146	0.5	121	0.4
Others	269	2.8	261	2.8	265	2.7	276	2.8
Total NPLs	3,471	1.4	3,405	1.4	3,415	1.5	2,859	1.3
Classified debt securities	25		28		35		38	
Classified contingent liabilities	18		19		18		23	
Total NPAs	3,514		3,452		3,468		2,920	

	30 Jun 2018		31 Mar 2018		31 Dec 2017		30 Jun 2017	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
NPAs by Period Overdue								
Over 180 days	1,252	36	1,268	37	1,212	35	1,177	40
Over 90 to 180 days	156	4	257	7	257	8	388	13
30 to 90 days	178	5	145	4	313	9	464	16
Less than 30 days	259	7	159	5	48	1	426	15
Not overdue	1,669	48	1,623	47	1,638	47	465	16
	3,514	100	3,452	100	3,468	100	2,920	100

	30 Jun 2018		31 Mar 2018		31 Dec 2017		30 Jun 2017	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans								
Substandard	702	179	722	231	703	242	492	14
Doubtful	277	193	199	114	211	128	90	56
Loss	74	49	54	47	52	42	53	34
	1,053	421	975	392	966	412	635	104

CUMULATIVE ALLOWANCES FOR ASSETS ^{1/}

S\$ million	Total cumulative allowances	Allowances for impaired assets ^{2/}	Allowances for non-impaired assets ^{3/}	Allowances for impaired assets as % of total NPAs	Cumulative allowances as % of total NPAs
				%	%
Singapore					
30 Jun 2018	963	248	715	26.5	103.0
31 Mar 2018	1,006	288	718	28.5	99.5
31 Dec 2017	764	320	444	28.2	67.4
30 Jun 2017	1,149	272	877	30.8	130.1
Malaysia					
30 Jun 2018	537	333	204	40.3	65.1
31 Mar 2018	528	339	189	39.5	61.4
31 Dec 2017	618	340	278	39.4	71.8
30 Jun 2017	516	138	378	19.2	71.7
Indonesia					
30 Jun 2018	488	260	228	34.9	65.4
31 Mar 2018	408	237	171	37.2	64.0
31 Dec 2017	416	232	184	39.4	70.7
30 Jun 2017	485	148	337	23.5	77.2
Greater China					
30 Jun 2018	350	51	299	22.6	156.8
31 Mar 2018	350	58	292	23.4	140.8
31 Dec 2017	428	61	367	26.5	184.8
30 Jun 2017	551	57	494	17.8	170.5
Other Asia Pacific					
30 Jun 2018	162	114	48	39.6	56.3
31 Mar 2018	157	110	47	39.3	56.4
31 Dec 2017	194	111	83	44.1	77.0
30 Jun 2017	140	21	119	7.1	48.9
Rest of the World					
30 Jun 2018	300	226	74	45.6	60.5
31 Mar 2018	246	180	66	43.2	59.1
31 Dec 2017	246	185	61	46.2	61.4
30 Jun 2017	103	8	95	10.6	129.3
Group					
30 Jun 2018	2,800	1,232	1,568	35.1	79.7
31 Mar 2018	2,695	1,212	1,483	35.1	78.1
31 Dec 2017	2,666	1,249	1,417	36.0	76.9
30 Jun 2017	2,944	644	2,300	22.1	100.8

Notes:

1. Included RLAR.
2. Referred to as specific allowances for periods prior to 2018.
3. Referred to as portfolio allowances for periods prior to 2018.

As at 30 June 2018, the Group's total cumulative allowances for assets were S\$2.80 billion, comprising S\$1.23 billion in allowances for impaired assets and S\$1.57 billion in allowances for non-impaired assets. The total cumulative allowances amounted to 306% of unsecured NPAs and 80% of total NPAs.

DEPOSITS

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Deposits of non-bank customers	290,292	288,770	283,642	264,421
Deposits and balances of banks	9,078	9,318	7,485	11,734
	299,370	298,088	291,127	276,155
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	85.9%	84.4%	82.5%	85.2%
S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Total Deposits By Maturity				
Within 1 year	294,429	294,693	287,957	271,409
1 to 3 years	2,845	1,463	1,328	2,692
Over 3 years	2,096	1,932	1,842	2,054
	299,370	298,088	291,127	276,155
Non-Bank Deposits By Product				
Fixed deposits	124,987	123,777	118,078	107,920
Savings deposits	52,857	52,588	51,817	50,791
Current account	85,511	83,387	87,773	83,854
Others	26,937	29,018	25,974	21,856
	290,292	288,770	283,642	264,421
Non-Bank Deposits By Currency				
Singapore Dollar	100,848	100,900	97,665	95,448
United States Dollar	92,372	93,687	93,415	82,928
Malaysian Ringgit	23,105	23,736	22,364	22,049
Indonesian Rupiah	9,043	8,866	8,206	7,796
Hong Kong Dollar	27,678	26,990	28,640	25,803
Chinese Renminbi	7,922	6,975	7,551	7,614
Others	29,324	27,616	25,801	22,783
	290,292	288,770	283,642	264,421

Non-bank customer deposits as at 30 June 2018 were S\$290 billion, up 10% from a year ago, and 1% higher from the previous quarter. Compared to the previous year, the growth in customer deposits was led by an increase in fixed deposits, current account and savings deposits. The ratio of current and savings deposits to total non-bank deposits was 47.7% as at 30 June 2018. The Group's loans-to-deposits ratio was 85.9%, an increase from 85.2% a year ago and 84.4% the previous quarter.

DEBT ISSUED

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Subordinated debt (unsecured)	3,222	3,129	4,556	5,589
Fixed and floating rate notes (unsecured)	3,829	2,698	3,425	2,573
Commercial papers (unsecured)	19,538	18,875	21,381	21,079
Structured notes (unsecured)	1,494	1,315	1,289	1,316
Covered bonds (secured)	3,581	2,863	1,584	774
Total	31,664	28,880	32,235	31,331
Debt Issued By Maturity				
Within one year	21,394	20,223	24,618	24,654
Over one year	10,270	8,657	7,617	6,677
Total	31,664	28,880	32,235	31,331

As at 30 June 2018, the Group had S\$19.5 billion of commercial papers outstanding, lower from a year ago and higher from the previous quarter. The commercial papers form part of the Group's diversified funding sources.

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore home loans transferred from OCBC Bank to Red Sail Pte. Ltd..

CAPITAL ADEQUACY RATIOS¹

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Ordinary shares	15,094	15,083	14,136	14,106
Disclosed reserves/others	18,416	17,942	18,130	22,607
Regulatory adjustments	(6,869)	(6,819)	(5,359)	(8,913)
Common Equity Tier 1 Capital	26,641	26,206	26,907	27,800
Additional Tier 1 capital	2,073	2,071	2,985	2,988
Regulatory adjustments	–	–	(932)	(1,104)
Tier 1 Capital	28,714	28,277	28,960	29,684
Tier 2 capital	3,361	3,163	4,673	5,825
Regulatory adjustments	(0)	(0)	(408)	(1,125)
Total Eligible Capital	32,075	31,440	33,225	34,384
Risk Weighted Assets	200,786	198,817	193,082	212,527
Capital Adequacy Ratios				
Common Equity Tier 1	13.2%	13.1%	13.9%	13.0%
Tier 1	14.3%	14.2%	14.9%	13.9%
Total	15.9%	15.8%	17.2%	16.1%

The Group remains strongly capitalised, with a Common Equity Tier 1 (“CET1”) capital adequacy ratio (“CAR”) of 13.2%, and Tier 1 and Total CAR of 14.3% and 15.9% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2018².

The capital adequacy of the Group’s significant banking subsidiaries as at 30 June 2018 were:

S\$ million	Total Risk Weighted Assets	Capital Adequacy Ratios		
		Common Equity Tier 1	Tier 1	Total
OCBC Wing Hang Bank Limited	21,557	14.3%	14.3%	16.5%
OCBC Bank (Malaysia) Berhad	13,479	12.9%	14.8%	17.4%
Bank OCBC NISP	13,385	15.8%	15.8%	16.7%

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 1.875% on 1 January 2018 and increases by 0.625% to reach 2.5% on 1 January 2019. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

LEVERAGE RATIO

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Tier 1 Capital	28,714	28,277	28,960	29,684
Total exposures	408,204	401,030	394,770	380,558
Leverage ratio	7.0%	7.0%	7.3%	7.8%

Note:

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

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 30 June 2018, the Group's leverage ratio was 7.0%, above the 3% minimum regulatory requirement.

LIQUIDITY COVERAGE RATIOS

For 2Q18, the average Singapore dollar ("SGD") and all-currency liquidity coverage ratios ("LCR") for the Group (excluding OCBC Yangon which will be included in due course) were 249% and 138% respectively. Compared to 1Q18, the average all-currency LCR was lower by 11 percentage points driven by lower cash inflow from wholesale loans. The SGD LCR increased by 19 percentage points mainly due to an increase in High Quality Liquid Assets ("HQLA").

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).

NET STABLE FUNDING RATIO

As at 30 June 2018, the all-currency Net Stable Funding Ratio (“NSFR”) for the Group (excluding OCBC Yangon which will be included in due course) was 108%. Compared to 31 March 2018, the all-currency NSFR increased by 2 percentage points driven by higher available stable funding from the increase in non-bank deposits and debt issuances.

The Group continued to maintain a stable funding structure to support its asset growth. Funding strategies were established to provide effective diversification and stability in funding sources across tenors, products and geographies. Liquidity limits and triggers serve as risk control on the Group’s funding and liquidity exposure.

Public disclosures required under MAS Notice 653 Net Stable Funding Ratio Disclosure can be found in the Capital and Regulatory Disclosures section of the Bank’s Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

UNREALISED VALUATION SURPLUS

S\$ million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Properties ^{1/}	4,229	3,998	4,010	3,923
Equity securities ^{2/}	6,047	6,922	5,919	4,628
Total	10,276	10,920	9,929	8,551

Notes:

1. 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.
2. 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.
3. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

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 as at the end of 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 30 June 2018 was S\$10.28 billion.

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	1H18	1H17	+/(-)	2Q18	2Q17	+/(-)	1Q18	+/(-)
			%			%		%
Global Consumer/Private Banking	699	634	10	330	321	3	369	(10)
Global Corporate/Investment Banking	1,011	777	30	505	426	19	506	–
Global Treasury and Markets	250	243	3	131	134	(2)	119	9
OCBC Wing Hang	232	176	32	133	91	47	99	35
Insurance	433	358	21	271	249	9	162	66
Others	31	(71)	(144)	22	(59)	(137)	9	126
Operating profit after allowances and amortisation	2,656	2,117	25	1,392	1,162	20	1,264	10

Note:

1. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

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\$699 million in 1H18 and S\$330 million in 2Q18, a year-on-year increase of 10% and 3% 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. Quarter-on-quarter, operating profit fell by 10% as net interest income growth was offset by a decline in fee income and 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 grew 30% to S\$1.01 billion in 1H18 and rose 19% to S\$505 million in 2Q18. The year-on-year increase in operating profit for both periods was largely attributable to net interest income growth and lower allowances, partly offset by higher expenses. Compared with 1Q18, operating profit was relatively unchanged, as higher net interest income, was offset by higher expenses and allowances.

Global Treasury and Markets

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

Global Treasury's operating profit after allowances was S\$250 million in 1H18, up 3% year-on-year, mainly attributable to higher net trading income and lower expenses, partly offset by a decline in net interest income. 2Q18 operating profit was down 2% to S\$131 million, from S\$134 million a year ago from lower net interest income which was partly offset by higher net trading income. Quarter-on-quarter, operating profit grew 9%, driven by higher 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 32% year-on-year to S\$232 million in 1H18, from S\$176 million in 1H17, driven by broad based income growth. 2Q18 operating profit of S\$133 million was 47% higher from a year ago and rose 35% quarter-on-quarter, mainly driven by higher net trading income and lower allowances.

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 grew 21% to S\$433 million in 1H18, led by higher operating profit from its underlying insurance business, partly offset by unrealised marked-to-market losses in its investment portfolio and lower gains on sale of investments. 2Q18 operating profit rose 9% year-on-year to S\$271 million, largely due to lower expenses, partly offset by lower gain on sale of investments. Compared with 1Q18, 2Q18 operating profit was 66% higher, driven by positive performance in the investment portfolio, higher insurance income and lower expenses.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S\$320 million in 1H18 and S\$197 million in 2Q18, higher than S\$260 million in 1H17 and S\$191 million in 2Q17 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
1H18							
Net interest income	943	1,244	302	405	38	(67)	2,865
Non-interest income	794	419	76	118	507	28	1,942
Total income	1,737	1,663	378	523	545	(39)	4,807
Operating profit before allowances and amortisation	722	1,118	252	252	454	(58)	2,740
Amortisation of intangible assets	(7)	–	–	(20)	(24)	–	(51)
Allowance for loans and impairment for other assets	(16)	(107)	(2)	0	3	89	(33)
Operating profit after allowances and amortisation	699	1,011	250	232	433	31	2,656
Other information:							
Capital expenditure	24	1	0	9	26	66	126
Depreciation	20	4	1	32	2	98	157
1H17							
Net interest income	866	1,087	325	362	47	(70)	2,617
Non-interest income	724	442	58	96	468	68	1,856
Total income	1,590	1,529	383	458	515	(2)	4,473
Operating profit before allowances and amortisation	672	1,016	251	189	389	(10)	2,507
Amortisation of intangible assets	(8)	–	–	(21)	(24)	–	(53)
Allowance for loans and impairment for other assets	(30)	(239)	(8)	8	(7)	(61)	(337)
Operating profit after allowances and amortisation	634	777	243	176	358	(71)	2,117
Other information:							
Capital expenditure	15	1	0	5	24	62	107
Depreciation	21	5	1	33	1	94	155

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
2Q18							
Net interest income	478	643	141	202	20	(34)	1,450
Non-interest income	379	202	53	79	292	19	1,024
Total income	857	845	194	281	312	(15)	2,474
Operating profit before allowances and amortisation	342	565	130	137	280	(15)	1,439
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowance for loans and impairment for other assets	(8)	(60)	1	6	3	37	(21)
Operating profit after allowances and amortisation	330	505	131	133	271	22	1,392
Other information:							
Capital expenditure	15	1	0	5	13	46	80
Depreciation	10	2	1	16	1	49	79
2Q17							
Net interest income	443	558	172	183	23	(34)	1,345
Non-interest income	367	233	30	49	306	21	1,006
Total income	810	791	202	232	329	(13)	2,351
Operating profit before allowances and amortisation	341	531	136	99	265	(14)	1,358
Amortisation of intangible assets	(4)	–	–	(10)	(13)	–	(27)
Allowance for loans and impairment for other assets	(16)	(105)	(2)	2	(3)	(45)	(169)
Operating profit after allowances and amortisation	321	426	134	91	249	(59)	1,162
Other information:							
Capital expenditure	7	1	0	3	10	34	55
Depreciation	11	2	1	16	0	47	77
1Q18							
Net interest income	465	601	161	203	18	(33)	1,415
Non-interest income	415	217	23	39	215	9	918
Total income	880	818	184	242	233	(24)	2,333
Operating profit before allowances and amortisation	380	553	122	115	174	(43)	1,301
Amortisation of intangible assets	(3)	–	–	(10)	(12)	–	(25)
Allowance for loans and impairment for other assets	(8)	(47)	(3)	(6)	0	52	(12)
Operating profit after allowances and amortisation	369	506	119	99	162	9	1,264
Other information:							
Capital expenditure	9	0	0	4	13	20	46
Depreciation	10	2	0	16	1	49	78

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
At 30 June 2018							
Segment assets	112,719	134,990	81,212	57,196	84,011	14,128	484,256
Unallocated assets							1,107
Elimination							(20,732)
Total assets							464,631
Segment liabilities	126,806	114,905	54,456	48,933	74,194	21,301	440,595
Unallocated liabilities							2,552
Elimination							(20,732)
Total liabilities							422,415
Other information:							
Gross non-bank loans	95,563	126,544	1,645	33,684	16	(5,088)	252,364
NPAs	554	2,920	–	129	2	(91)	3,514
At 31 March 2018							
Segment assets	110,175	131,443	81,829	54,865	83,223	14,677	476,212
Unallocated assets							1,045
Elimination							(18,852)
Total assets							458,405
Segment liabilities	122,110	113,603	58,296	47,061	73,090	18,597	432,757
Unallocated liabilities							2,731
Elimination							(18,852)
Total liabilities							416,636
Other information:							
Gross non-bank loans	94,563	123,543	1,551	32,210	31	(5,236)	246,662
NPAs	560	2,822	–	170	4	(104)	3,452
At 31 December 2017							
Segment assets	106,529	126,157	82,913	55,874	83,097	15,167	469,737
Unallocated assets							906
Elimination							(17,950)
Total assets							452,693
Segment liabilities	117,287	111,069	55,415	48,251	72,818	21,387	426,227
Unallocated liabilities							2,623
Elimination							(17,950)
Total liabilities							410,900
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 30 June 2017							
Segment assets	103,311	123,955	76,029	50,138	75,674	16,860	445,967
Unallocated assets							992
Elimination							(19,174)
Total assets							427,785
Segment liabilities	114,519	102,838	54,035	42,452	66,044	23,828	403,716
Unallocated liabilities							2,511
Elimination							(19,174)
Total liabilities							387,053
Other information:							
Gross non-bank loans	87,253	115,807	1,354	29,977	50	(5,636)	228,805
NPAs	599	2,256	–	269	3	(207)	2,920

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	1H18		1H17		2Q18		2Q17		1Q18	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
Total income										
Singapore	2,751	57	2,620	59	1,397	56	1,377	58	1,354	58
Malaysia	741	15	629	14	409	17	321	14	332	14
Indonesia	375	8	406	9	179	7	209	9	196	8
Greater China	718	15	633	14	373	15	344	15	345	15
Other Asia Pacific	114	3	79	2	46	2	41	2	68	3
Rest of the World	108	2	106	2	70	3	59	2	38	2
	4,807	100	4,473	100	2,474	100	2,351	100	2,333	100
Profit before income tax										
Singapore	1,571	54	1,226	52	874	58	721	56	697	50
Malaysia	470	16	376	16	263	18	180	14	207	15
Indonesia	114	4	156	7	8	1	75	6	106	8
Greater China	599	21	490	21	308	20	256	20	291	21
Other Asia Pacific	88	3	45	2	32	2	19	2	56	4
Rest of the World	51	2	57	2	19	1	30	2	32	2
	2,893	100	2,350	100	1,504	100	1,281	100	1,389	100
	30 Jun 2018		31 Mar 2018		31 Dec 2017		30 Jun 2017			
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%		
Total assets										
Singapore	265,748	57	260,231	57	255,873	57	244,071	57		
Malaysia	64,976	14	64,969	14	62,372	14	61,052	14		
Indonesia	16,228	3	15,463	3	15,361	3	14,752	4		
Greater China	86,842	19	85,875	19	85,757	19	77,282	18		
Other Asia Pacific	13,856	3	13,703	3	13,399	3	13,490	3		
Rest of the World	16,981	4	18,164	4	19,931	4	17,138	4		
	464,631	100	458,405	100	452,693	100	427,785	100		

Note:

- Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

The geographical segment analysis is based on the location where assets or transactions are booked. For 2Q18, Singapore accounted for 56% of total income and 58% of pre-tax profit, while Malaysia accounted for 17% of total income and 18% of pre-tax profit. Greater China accounted for 15% of total income and 20% of pre-tax profit.

Pre-tax profit for Singapore was S\$874 million in 2Q18, an increase of 21% from S\$721 million a year ago, as growth in net interest income outpaced the increase in operating expenses as well as lower allowances. Malaysia's pre-tax profit was S\$263 million, 46% higher from S\$180 million in 2Q17, mainly attributable to lower allowances. Pre-tax profit for Greater China of S\$308 million was up 20% from S\$256 million a year ago, led by higher trading income and net interest income.

1H18 pre-tax profit for Singapore was S\$1.57 billion, up 28% from S\$1.23 billion a year ago, mainly led by higher net interest income and lower allowances, which more than offset the increase in operating expenses. Malaysia's pre-tax profit increased 25% to S\$470 million from S\$376 million, as allowances declined. Pre-tax profit for Greater China was 22% higher at S\$599 million, from S\$490 million a year ago, driven by higher net interest income and an increase in associate's profits.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

S\$ million	1H18	1H17	+/(-) %	2Q18	2Q17	+/(-) %	1Q18	+/(-) %
Interest income	5,220	4,358	20	2,710	2,241	21	2,510	8
Interest expense	(2,355)	(1,741)	35	(1,260)	(896)	41	(1,095)	15
Net interest income	2,865	2,617	9	1,450	1,345	8	1,415	2
Premium income	5,438	4,943	10	3,127	2,350	33	2,311	35
Investment income	(322)	2,052	(116)	(145)	941	(115)	(177)	(18)
Net claims, surrenders and annuities	(2,928)	(2,485)	18	(1,551)	(1,296)	20	(1,377)	13
Change in life assurance fund contract liabilities	(1,125)	(3,374)	(67)	(896)	(1,392)	(36)	(229)	291
Commission and others	(706)	(892)	(21)	(344)	(408)	(16)	(362)	(5)
Profit from life assurance	357	244	46	191	195	(2)	166	14
Premium income from general insurance	83	73	14	43	38	13	40	8
Fees and commissions (net)	1,054	973	8	518	492	5	536	(3)
Dividends	53	42	29	34	27	31	19	83
Rental income	40	41	(4)	20	20	(4)	20	(3)
Other income	355	483	(27)	218	234	(7)	137	60
Non-interest income	1,942	1,856	5	1,024	1,006	2	918	12
Total income	4,807	4,473	7	2,474	2,351	5	2,333	6
Staff costs	(1,295)	(1,221)	6	(633)	(619)	2	(662)	(4)
Other operating expenses	(772)	(745)	4	(402)	(374)	8	(370)	9
Total operating expenses	(2,067)	(1,966)	5	(1,035)	(993)	4	(1,032)	-
Operating profit before allowances and amortisation	2,740	2,507	9	1,439	1,358	6	1,301	10
Amortisation of intangible assets	(51)	(53)	(4)	(26)	(27)	(3)	(25)	1
Allowances for loans and other assets	(33)	(337)	(90)	(21)	(169)	(87)	(12)	81
Operating profit after allowances and amortisation	2,656	2,117	25	1,392	1,162	20	1,264	10
Share of results of associates	237	233	1	112	119	(6)	125	(10)
Profit before income tax	2,893	2,350	23	1,504	1,281	17	1,389	8
Income tax expense	(474)	(354)	34	(246)	(185)	33	(228)	8
Profit for the period	2,419	1,996	21	1,258	1,096	15	1,161	8
Profit attributable to:								
Equity holders of the Bank	2,321	1,903	22	1,209	1,041	16	1,112	9
Non-controlling interests	98	93	4	49	55	(12)	49	-
	2,419	1,996	21	1,258	1,096	15	1,161	8
Earnings per share ^{1/}								
(for the period – cents)								
Basic	55.2	44.8		28.9	24.4		26.3	
Diluted	55.1	44.7		28.8	24.4		26.3	

Notes:

- Earnings mean profit attributable to ordinary equity holders of the bank.
- Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

S\$ million	1H18	1H17	+/(-) %	2Q18	2Q17	+/(-) %	1Q18	+/(-) %
Profit for the period	2,419	1,996	21	1,258	1,096	15	1,161	8
Other comprehensive income:								
Items that may be reclassified subsequently to income statement:								
Financial assets, at FVOCI / available-for-sale								
Gains/(losses) for the period	(393)	563	(170)	(162)	194	(184)	(231)	30
Reclassification of (gains)/losses to income statement								
– on disposal	(7)	(92)	93	1	(53)	103	(8)	121
– on impairment	(30)	25	(215)	(13)	5	(334)	(17)	26
Tax on net movements	59	(38)	256	49	(7)	807	10	411
Cash flow hedges	0	–	–	1	–	–	(1)	240
Currency translation on foreign operations	38	(387)	110	134	(76)	274	(96)	239
Other comprehensive income of associates	60	(146)	141	6	(23)	125	54	(89)
Items that will not be reclassified subsequently to income statement:								
Financial assets, at FVOCI	(46)	–	–	52	–	–	(98)	153
Defined benefit plans remeasurements	(0)	0	(158)	(0)	0	(157)	(0)	2
Total other comprehensive income, net of tax	(319)	(75)	(324)	68	40	72	(387)	118
Total comprehensive income for the period, net of tax	2,100	1,921	9	1,326	1,136	17	774	71
Total comprehensive income attributable to:								
Equity holders of the Bank	2,060	1,802	14	1,295	1,074	21	765	69
Non-controlling interests	40	119	(67)	31	62	(51)	9	245
	2,100	1,921	9	1,326	1,136	17	774	71

Note:

- Comparative figures have been restated with the adoption of SFRS(l) and GEH accounting policy change.

BALANCE SHEETS (UNAUDITED)

S\$ million	GROUP				BANK			
	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
EQUITY								
Attributable to equity holders of the Bank								
Share capital	15,094	15,083	15,136	15,106	15,094	15,083	15,136	15,106
Other equity instruments	499	499	499	499	499	499	499	499
Capital reserves	812	786	361	323	312	222	99	114
Fair value reserves	(71)	(46)	352	617	(68)	(53)	12	99
Revenue reserves	23,149	22,711	22,680	21,497	13,094	12,393	13,017	12,849
	39,483	39,033	39,028	38,042	28,931	28,144	28,763	28,667
Non-controlling interests	2,733	2,736	2,765	2,690	–	–	–	–
Total equity	42,216	41,769	41,793	40,732	28,931	28,144	28,763	28,667
LIABILITIES								
Deposits of non-bank customers	290,292	288,770	283,642	264,421	180,574	183,269	178,146	162,545
Deposits and balances of banks	9,078	9,318	7,485	11,734	5,909	6,697	6,085	9,055
Due to subsidiaries	–	–	–	–	18,869	17,804	16,301	16,684
Due to associates	273	300	220	212	116	111	103	79
Trading portfolio liabilities	415	472	622	507	403	472	622	507
Derivative payables	8,650	7,883	6,454	5,433	6,920	5,933	4,989	4,432
Other liabilities	6,249	6,118	6,066	5,852	1,867	1,925	1,855	1,712
Current tax payables	1,161	1,292	1,107	1,012	476	542	440	421
Deferred tax liabilities	1,391	1,440	1,516	1,498	64	61	54	50
Debt issued	31,664	28,880	32,235	31,331	31,986	29,276	32,498	31,753
	349,173	344,473	339,347	322,000	247,184	246,090	241,093	227,238
Life assurance fund liabilities	73,242	72,163	71,553	65,053	–	–	–	–
Total liabilities	422,415	416,636	410,900	387,053	247,184	246,090	241,093	227,238
Total equity and liabilities	464,631	458,405	452,693	427,785	276,115	274,234	269,856	255,905
ASSETS								
Cash and placements with central banks	15,363	18,802	19,594	15,244	10,784	13,341	14,355	10,190
Singapore government treasury bills and securities	9,018	9,573	9,840	10,436	8,319	8,909	9,089	10,065
Other government treasury bills and securities	18,841	17,992	17,631	16,189	8,548	8,967	8,444	7,055
Placements with and loans to banks	43,159	42,013	49,377	44,850	31,398	29,862	34,756	35,173
Loans and bills receivable	249,474	243,780	234,141	225,355	151,158	148,715	143,516	137,805
Debt and equity securities	25,415	25,375	25,329	24,586	13,257	13,673	13,981	13,259
Assets pledged	3,193	2,290	1,056	2,176	1,431	936	741	1,463
Assets held for sale	41	37	39	35	3	0	2	1
Derivative receivables	8,401	7,601	6,386	5,982	6,635	5,836	5,117	4,943
Other assets	3,971	3,830	3,437	3,790	1,638	1,619	1,472	1,610
Deferred tax assets	101	105	143	159	29	23	65	70
Associates	2,995	3,148	2,352	2,439	906	951	483	595
Subsidiaries	–	–	–	–	39,030	38,411	34,824	30,657
Property, plant and equipment	3,339	3,292	3,332	3,407	583	597	614	614
Investment property	907	916	949	973	529	527	530	538
Goodwill and intangible assets	5,141	5,077	5,160	5,291	1,867	1,867	1,867	1,867
	389,359	383,831	378,766	360,912	276,115	274,234	269,856	255,905
Life assurance fund investment assets	75,272	74,574	73,927	66,873	–	–	–	–
Total assets	464,631	458,405	452,693	427,785	276,115	274,234	269,856	255,905
Net asset value (before valuation surplus) per ordinary share – S\$								
	9.31	9.21	8.96	8.73	6.79	6.61	6.51	6.49
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	11,834	10,906	10,504	9,640	8,465	7,869	7,283	6,881
Commitments	139,940	130,997	130,383	124,607	83,769	79,107	80,501	77,167
Derivative financial instruments	1,031,309	1,069,206	919,224	902,587	851,875	908,410	754,752	769,125

Note:

1. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the half year ended 30 June 2018

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 January 2018							
As previously reported	15,635	361	120	22,892	39,008	2,768	41,776
Effect of adopting SFRS(I) 1 and GEH accounting policy change	-	-	232	(212)	20	(3)	17
Effect of adopting SFRS(I) 9 and revised MAS612	-	354	(101)	(13)	240	0	240
As restated ¹	15,635	715	251	22,667	39,268	2,765	42,033
Total comprehensive income for the period	-	-	(322)	2,382	2,060	40	2,100
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	-	98	-	(98)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	(72)	(72)
DSP reserve from dividends on unvested shares	-	-	-	2	2	-	2
Distribution for perpetual capital securities	-	-	-	(10)	(10)	-	(10)
Ordinary dividends	-	-	-	(796)	(796)	-	(796)
Redemption of preference shares issued by the Bank	-	-	-	(1,000)	(1,000)	-	(1,000)
Share-based staff costs capitalised	-	8	-	-	8	-	8
Share buyback held in treasury	(159)	-	-	-	(159)	-	(159)
Shares issued to non-executive directors	1	-	-	-	1	-	1
Shares transferred to DSP Trust	-	(3)	-	-	(3)	-	(3)
Shares vested under DSP Scheme	-	63	-	-	63	-	63
Treasury shares transferred/sold	116	(69)	-	-	47	-	47
Total contributions by and distributions to owners	(42)	97	-	(1,902)	(1,847)	(72)	(1,919)
Changes in interests in subsidiaries that do not result in loss of control							
Changes in interests	-	-	-	2	2	-	2
Total changes in interests in subsidiaries	-	-	-	2	2	-	2
Balance at 30 June 2018	15,593	812	(71)	23,149	39,483	2,733	42,216
Included in the balances:							
Share of reserves of associates	-	-	(17)	1,040	1,023	-	1,023
Balance at 1 January 2017							
As previously reported	15,606	572	156	20,673	37,007	2,635	39,642
Effect of adopting SFRS(I) 1 and GEH accounting policy change	-	-	131	(117)	14	(3)	11
As restated ²	15,606	572	287	20,556	37,021	2,632	39,653
Total comprehensive income for the period	-	-	330	1,472	1,802	119	1,921
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	-	(250)	-	250	-	-	-
Distributions and dividends to non-controlling interests	-	-	-	-	-	(61)	(61)
DSP reserve from dividends on unvested shares	-	-	-	2	2	-	2
Distribution for perpetual capital securities	-	-	-	(9)	(9)	-	(9)
Ordinary and preference dividends	-	-	-	(774)	(774)	-	(774)
Share-based staff costs capitalised	-	8	-	-	8	-	8
Share buyback held in treasury	(107)	-	-	-	(107)	-	(107)
Shares issued to non-executive directors	0	-	-	-	0	-	0
Shares transferred to DSP Trust	-	(3)	-	-	(3)	-	(3)
Shares vested under DSP Scheme	-	49	-	-	49	-	49
Treasury shares transferred/sold	106	(53)	-	-	53	-	53
Total contributions by and distributions to owners	(1)	(249)	-	(531)	(781)	(61)	(842)
Balance at 30 June 2017	15,605	323	617	21,497	38,042	2,690	40,732
Included in the balances:							
Share of reserves of associates	-	-	(57)	900	843	(1)	842

Notes:

- Included cumulative FCTR of S\$924 million was reclassified from FCTR to unappropriated profit within revenue reserves.
- Included cumulative FCTR of S\$918 million was reclassified from FCTR to unappropriated profit within revenue reserves.

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the three months ended 30 June 2018

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 April 2018	15,582	786	(46)	22,711	39,033	2,736	41,769
Total comprehensive income for the period	–	–	(25)	1,320	1,295	31	1,326
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	90	–	(90)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(34)	(34)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary dividends	–	–	–	(796)	(796)	–	(796)
Share-based staff costs capitalised	–	5	–	–	5	–	5
Share buyback held in treasury	(75)	–	–	–	(75)	–	(75)
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	3	–	–	3	–	3
Treasury shares transferred/sold	85	(69)	–	–	16	–	16
Total contributions by and distributions to owners	11	26	–	(884)	(847)	(34)	(881)
Changes in interests in subsidiaries that do not result in loss of control							
Changes in interests	–	–	–	2	2	–	2
Total changes in interests in subsidiaries	–	–	–	2	2	–	2
Balance at 30 June 2018	15,593	812	(71)	23,149	39,483	2,733	42,216
Included in the balances:							
Share of reserves of associates	–	–	(17)	1,040	1,023	–	1,023
Balance at 1 April 2017	15,612	592	512	21,079	37,795	2,651	40,446
Total comprehensive income for the period	–	–	105	969	1,074	62	1,136
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	(221)	–	221	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(23)	(23)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary and preference dividends	–	–	–	(774)	(774)	–	(774)
Share-based staff costs capitalised	–	4	–	–	4	–	4
Share buyback held in treasury	(90)	–	–	–	(90)	–	(90)
Shares issued to non-executive directors	0	–	–	–	0	–	0
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	4	–	–	4	–	4
Treasury shares transferred/sold	83	(53)	–	–	30	–	30
Total contributions by and distributions to owners	(7)	(269)	–	(551)	(827)	(23)	(850)
Balance at 30 June 2017	15,605	323	617	21,497	38,042	2,690	40,732
Included in the balances:							
Share of reserves of associates	–	–	(57)	900	843	(1)	842

STATEMENT OF CHANGES IN EQUITY – BANK (UNAUDITED)

For the half year ended 30 June 2018

S\$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2018					
As previously reported	15,635	99	12	13,017	28,763
Effect of adopting SFRS(I) 9 and revised MAS612	–	122	28	(114)	36
As restated ¹	15,635	221	40	12,903	28,799
Total comprehensive income for the period	–	–	(108)	2,078	1,970
Transfers	–	83	–	(83)	–
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary dividends	–	–	–	(796)	(796)
Distribution for perpetual capital securities	–	–	–	(10)	(10)
Share-based staff costs capitalised	–	8	–	–	8
Redemption of preference shares issued by the Bank	–	–	–	(1,000)	(1,000)
Share buyback held in treasury	(159)	–	–	–	(159)
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	116	–	–	–	116
Balance at 30 June 2018	15,593	312	(68)	13,094	28,931
Balance at 1 January 2017					
As previously reported	15,606	106	8	12,561	28,281
As restated ¹	15,606	106	8	12,561	28,281
Total comprehensive income for the period	–	–	91	1,069	1,160
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(774)	(774)
Distribution for perpetual capital securities	–	–	–	(9)	(9)
Share-based staff costs capitalised	–	8	–	–	8
Share buyback held in treasury	(107)	–	–	–	(107)
Shares issued to non-executive directors	0	–	–	–	0
Treasury shares transferred/sold	106	–	–	–	106
Balance at 30 June 2017	15,605	114	99	12,849	28,667

Note:

1. Included cumulative FCTR of S\$149 million was reclassified from FCTR to unappropriated profit within revenue reserves.

For the three months ended 30 June 2018

S\$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 April 2018					
	15,582	222	(53)	12,393	28,144
Total comprehensive income for the period	–	–	(15)	1,580	1,565
Transfers	–	85	–	(85)	–
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary dividends	–	–	–	(796)	(796)
Share-based staff costs capitalised	–	5	–	–	5
Share buyback held in treasury	(75)	–	–	–	(75)
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	85	–	–	–	85
Balance at 30 June 2018	15,593	312	(68)	13,094	28,931
Balance at 1 April 2017					
	15,612	110	69	12,853	28,644
Total comprehensive income for the period	–	–	30	768	798
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(774)	(774)
Share-based staff costs capitalised	–	4	–	–	4
Share buyback held in treasury	(90)	–	–	–	(90)
Shares issued to non-executive directors	0	–	–	–	0
Treasury shares transferred/sold	83	–	–	–	83
Balance at 30 June 2017	15,605	114	99	12,849	28,667

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 30 June 2018

S\$ million	1H18	1H17	2Q18	2Q17
Cash flows from operating activities				
Profit before income tax	2,893	2,350	1,504	1,281
Adjustments for non-cash items:				
Amortisation of intangible assets	51	53	26	27
Allowances for loans and other assets	33	337	21	169
Change in hedging transactions, trading, fair value through profit and loss securities and debt issued	237	(46)	56	(9)
Depreciation of property, plant and equipment and investment property	157	155	79	77
Net gain on disposal of property, plant and equipment and investment property	(33)	(30)	(9)	(6)
Net gain on disposal of government, debt and equity securities	(10)	(119)	(2)	(54)
Net gain on disposal of interests in subsidiaries	(5)	(18)	(5)	(18)
Share-based costs	31	27	18	14
Share of results of associates	(237)	(233)	(112)	(119)
Items relating to life assurance fund				
Surplus before income tax	376	501	198	274
Surplus transferred from life assurance fund	(357)	(244)	(190)	(195)
Operating profit before change in operating assets and liabilities	3,136	2,733	1,584	1,441
Change in operating assets and liabilities:				
Deposits of non-bank customers	6,702	2,941	1,494	(623)
Deposits and balances of banks	1,592	994	(240)	(2,809)
Derivative payables and other liabilities	2,593	(2,569)	1,511	(76)
Trading portfolio liabilities	(206)	(91)	(57)	(258)
Government securities and treasury bills	(1,100)	(2,176)	(409)	895
Restricted balances with central banks	318	(150)	258	(94)
Trading and fair value through profit and loss securities	240	(111)	(4)	75
Placements with and loans to banks	5,991	(5,169)	(1,087)	68
Loans and bills receivable	(15,097)	(8,881)	(5,714)	(4,125)
Derivative receivables and other assets	(2,398)	1,860	(630)	1,076
Net change in investment assets and liabilities of life assurance fund	(303)	11	(254)	(1,380)
Cash from/(used in) operating activities	1,468	(10,608)	(3,548)	(5,810)
Income tax paid	(414)	(312)	(301)	(225)
Net cash from/(used in) operating activities	1,054	(10,920)	(3,849)	(6,035)
Cash flows from investing activities				
Dividends from associates	0	0	0	0
Decrease/(increase) in associates	(62)	57	-	(3)
Purchases of debt and equity securities	(8,577)	(11,823)	(3,990)	(5,662)
Purchases of property, plant and equipment and investment property	(126)	(107)	(80)	(55)
Proceeds from disposal of debt and equity securities	6,401	10,233	3,227	4,523
Proceeds from disposal of interests in subsidiaries	-	53	-	53
Proceeds from disposal of property, plant and equipment and investment property	38	60	11	9
Net cash used in investing activities	(2,326)	(1,527)	(832)	(1,135)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(799)	(774)	(796)	(774)
Distributions and dividends paid to non-controlling interests	(72)	(61)	(34)	(23)
Redemption of preference shares issued by the Bank	(1,000)	-	-	-
Redemption of subordinated debt issued	(1,314)	(650)	-	(650)
Net issuance of other debt issued	656	12,824	2,384	4,445
Distribution for perpetual capital securities	(10)	(9)	-	-
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	47	53	16	30
Share buyback held in treasury	(159)	(107)	(75)	(90)
Net cash (used in)/from financing activities	(2,651)	11,276	1,495	2,938
Net currency translation adjustments	18	(294)	9	(28)
Net change in cash and cash equivalents	(3,905)	(1,465)	(3,177)	(4,260)
Cash and cash equivalents at beginning of period	13,835	11,176	13,107	13,971
Cash and cash equivalents at end of period	9,930	9,711	9,930	9,711

Note:

1. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

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

Number of Shares	Half year ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
Issued ordinary shares				
Balance at beginning of period	4,193,784,461	4,193,729,363	4,193,784,461	4,193,729,363
Shares issued to non-executive directors	52,668	55,098	52,668	55,098
Balance at end of period	4,193,837,129	4,193,784,461	4,193,837,129	4,193,784,461
Treasury shares				
Balance at beginning of period	(7,070,767)	(11,022,010)	(10,090,798)	(9,939,889)
Share buyback	(12,275,000)	(10,400,000)	(5,875,000)	(8,600,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	4,257,197	5,383,448	1,125,558	2,503,125
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	959,936	723,915	713,558	722,117
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	5,321,926	5,071,207	5,319,974	5,071,207
Balance at end of period	(8,806,708)	(10,243,440)	(8,806,708)	(10,243,440)
Total	4,185,030,421	4,183,541,021	4,185,030,421	4,183,541,021

Pursuant to the share purchase mandate approved at the annual general meeting held on 30 April 2018, the Bank purchased a total of 5,875,000 ordinary shares in the second quarter ended 30 June 2018. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S\$11.47 to S\$13.24 per share and the total consideration paid was S\$75,086,755 (including transaction costs).

From 1 April 2018 to 30 June 2018 (both dates inclusive), the Bank utilised 1,125,558 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 ("SOS 2001"). As of 30 June 2018, the number of options outstanding under the OCBC SOS 2001 was 39,182,250 (30 June 2017: 44,735,860).

From 1 April 2018 to 30 June 2018 (both dates inclusive), the Bank utilised 713,558 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan ("ESPP"). As of 30 June 2018, the number of acquisition rights outstanding under the OCBC ESPP was 13,022,570 (30 June 2017: 13,816,172).

From 1 April 2018 to 30 June 2018 (both dates inclusive), the Bank transferred 5,319,974 treasury shares to the Trust administering the OCBC Deferred Share Plan following the Bank's award of deferred shares to employees of the Group.

No new preference shares were allotted and issued by the Bank in the second quarter ended 30 June 2018.

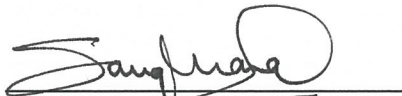
OTHER MATTERS

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

CONFIRMATION BY THE BOARD

We, Ooi Sang Kuang and Samuel N. Tsien, being directors of Oversea-Chinese Banking Corporation Limited (“the Bank”), do hereby confirm on behalf of the Board of Directors of the Bank, that to the best of our knowledge, nothing has come to our attention which may render the unaudited financial results of the Bank and of the Group for the quarter ended 30 June 2018 to be false or misleading.

On behalf of the Board of Directors



Ooi Sang Kuang
Chairman



Samuel N. Tsien
Chief Executive Officer / Director

3 August 2018