Media Release

OCBC Group Full Year 2018 Net Profit Grew 11% to a Record S$4.49 billion

Fourth quarter earnings from banking operations rose 22%

Proposed final dividend of 23 cents per share, up 15% from 2018 interim dividend of 20 cents

Singapore, 22 February 2019 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$4.49 billion for the financial year ended 31 December 2018 ("FY18"), up 11% from S$4.05 billion a year ago ("FY17"). This was driven by record earnings from the Group's banking operations which rose 22% year-on-year, led by income growth, disciplined cost control and lower allowances. The Group's FY18 return on equity increased to 11.5% from 11.0% a year ago.

The Group's total income climbed to a new high of S$9.70 billion from S$9.53 billion in the previous year.

Net interest income increased 9% year-on-year to S$5.89 billion from S$5.42 billion in FY17, underpinned by loan growth and a rise in net interest margin ("NIM"). Customer loans grew 9% to S$258 billion across all key markets. FY18 NIM improved by 5 basis points to 1.70% from higher margins in Singapore, Malaysia and Greater China.

Non-interest income of S$3.81 billion declined 7% from the previous year, mainly attributed to lower investment income from Great Eastern Holdings ("GEH"), even though non-interest income from banking operations rose 4% year-on-year. The Group's net fees and commissions grew 4% to S$2.03 billion, led by higher wealth management, credit card, loan and trade-related fees. FY18 wealth management fee income was up 5% at S$958 million, despite slower fourth quarter performance as a result of weak investment sentiments during the quarter. Net trading income was 1% lower from a year ago at S$508 million, while income from life and general insurance was little changed at S$911 million. Net gains from sale of investment securities were significantly lower at S$16 million as compared to S$431 million a year ago, as substantially higher gains were realised from the divestment of investment securities by GEH in the prior year.

Operating expenses were S$4.21 billion in FY18 and 4% above a year ago, with the cost-to-income ratio ("CIR") at 43.4%. Allowances for loans and other assets of S$288 million were below S$671 million a year ago.

The Group's share of results of associates rose 17% to S$455 million from S$389 million a year ago.

Earnings per share increased to S$1.06 from S$0.95 in FY17.

Fourth Quarter Performance

For the fourth quarter of 2018 ("4Q18"), net profit after tax from banking operations grew 22% from a year ago ("4Q17") to S$817 million. However, the Group's overall net profit was 11% lower at S$926 million due to a decline in earnings contribution from GEH.

The Group's net interest income rose 7% to S$1.52 billion from S$1.42 billion in 4Q17. This was driven by loan growth and a 5 basis points rise in NIM to 1.72%. Non-interest income fell 32% to S$830 million, led by a drop in investment and insurance income from GEH. Net fees and commissions also declined 4% from a year ago to S$474 million. Higher credit card, loan and trade-related fees were more than offset by a fall in wealth management fees attributable to subdued investment sentiments in the current market environment. Nonetheless, Bank of Singapore continued to report strong net new money inflows, which increased private banking assets under management ("AUM") to US$102 billion (S$139 billion) as at 31 December 2018, up 3% from a year ago. 4Q18 net trading income was lower at S$9 million as compared to S$99 million a year ago, largely attributable to unrealised mark-to-market losses in GEH's investment portfolio as a result of unfvourable market conditions. Excluding GEH, trading income from banking operations was 5% higher year-on-year.

Operating expenses for 4Q18 of S$1.08 billion were unchanged from the previous year, as costs were tightly-controlled. Allowances of S$205 million for the quarter were 14% higher than S$178 million in 4Q17.

As compared to the previous quarter ("3Q18"), the Group's net profit after tax was down 26% as higher net interest income was offset by a fall in non-interest income and increased allowances.

Allowances and Asset Quality

Net allowances for loans and other assets for FY18 were S$288 million, significantly lower than the S$671 million in FY17. 4Q18 allowances of S$205 million were up 14% year-on-year, mainly from allowances made for loans in the general commerce sector and for previously identified groups in the oil and gas support vessels and services sector.

Overall asset quality of the loan portfolio continued to be healthy. As at 31 December 2018, total non-performing assets were S$3.94 billion, higher than S$3.59 billion a quarter ago, with the increase coming mainly from the general commerce sector. The non-performing loans ratio of 1.5% was flat as compared to the prior year and higher than 1.4% reported in the previous quarter.

Funding and Capital Position

The Group maintained its strong funding and capital position. Customer loans grew 9% year-on-year to S$258 billion while customer deposits were up 4% at S$295 billion, with current account and savings ("CASA") deposits representing 46.4% of total non-bank deposits. The Group's loans-to-deposits ratio was 86.4% as compared to 82.5% a year ago.

The average Singapore dollar and all-currency liquidity coverage ratios for the Group in 4Q18 were 265% and 156% respectively, while the net stable funding ratio was 109%.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 31 December 2018 were 14.0%, 14.8% and 16.4% respectively. The Group's leverage ratio was 7.2% as at 31 December 2018.

These regulatory ratios were all above their respective regulatory requirements.

Subsidiaries' Full Year Performance

Great Eastern Holdings' net profit after tax was S$741 million for the year, 29% lower than S$1.04 billion in FY17. Although operating profit from its underlying insurance business grew year-on-year, this was more than offset by unrealised mark-to-market losses in its investment portfolio and the absence of substantial gains from the sale of investment securities that were realised a year ago. GEH's contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, was S$604 million, representing 13% of the Group's earnings, as compared to 21% in the prior year. Total weighted new sales and new business embedded value ("NBEV") were S$1.24 billion and S$528 million respectively in FY18, while NBEV margin rose to 42.7% from 41.4% a year ago. Embedded value, a measure of the economic value of the existing business of a life insurance company, rose 0.4% year-on-year to S$13.44 billion.

Both OCBC Wing Hang and Bank OCBC NISP reported record net profit after tax in local currency terms in FY18. OCBC Wing Hang's net profit increased 15% from a year ago to HK$2.76 billion (S$475 million), driven by broad-based income growth. Its customer loans rose 8% to HK$193 billion (S$34 billion) while deposits were relatively stable at HK$222 billion (S$39 billion). Bank OCBC NISP reported a 21% rise in full year net profit of IDR2.64 trillion (S$251 million), backed by strong net interest income growth and lower allowances. Customer loans and deposits both grew 11% year-on-year to IDR118 trillion (S$11 billion) and IDR126 trillion (S$12 billion) respectively.

OCBC Bank Malaysia's FY18 net profit after tax fell 14% to RM814 million (S$272 million), as net interest income growth was offset by a decline in other income segments, while allowances were higher than the previous year. Customer loans were up 2% year-on-year at RM69 billion (S$23 billion) and deposits rose 3% to RM76 billion (S$25 billion).

As at 31 December 2018, Bank of Singapore's AUM grew 3% to US$102 billion (S$139 billion) from US$99 billion (S$132 billion) a year ago, driven by sustained net new money inflows. Including secured loans, its earnings asset base grew 4% to US$125 billion (S$171 billion) from US$121 billion (S$161 billion) in the previous year.

The Group's overall wealth management-related income – comprising income from insurance, private banking, asset management, stockbroking and other wealth management products – was S$2.84 billion in FY18 and represented 29% of the Group's total income.

Final Dividend

Supported by record earnings and a strong capital position, the Board has proposed a final tax-exempt dividend of 23 cents per share, representing an increase of 21% from the final dividend of 19 cents a year ago and a 15% rise from the interim dividend of 20 cents. Together with the interim dividend of 20 cents per share, this will bring the FY18 total dividend to 43 cents, up 16% or 6 cents, from 37 cents per share in FY17. To continue to provide our shareholders with the option of reinvesting in OCBC Bank, the Scrip Dividend Scheme will be applicable to the final dividend. The estimated total dividend payout will amount to S$1.82 billion, an increase of 17% from FY17. This represents a dividend payout ratio of 40% of the Group's core net profit in FY18.

CEO's Comments

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

"Despite the market uncertainties and challenging investment environment particularly impacting the investment portfolio in our insurance business in the last quarter of the year, we are pleased to have delivered strong results for 2018. Our record earnings demonstrate the strength and resilience of our diversified business and the depth of our customer relationships. Backed by sustained earnings growth from banking operations and our strong capital position, we are delighted to reward our shareholders for their support by raising the total dividend by 16% or 6 cents from a year ago to 43 cents per share in 2018.

Looking ahead, global economic growth is expected to slow on concerns of continued trade and geopolitical tensions, subdued market and investment sentiments and rising policy risks in the advanced economies. In spite of the uncertain outlook, we are confident that our focused strategy, strong capital and funding base, and disciplined cost control will allow us to continue to prudently expand our franchise in our key markets and support our 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 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 570 branches and representative offices in 19 countries and regions. These include over 300 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macau under OCBC Wing Hang.

OCBC Bank's private banking services are provided by its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit www.ocbc.com

For more information, please contact:

Koh Ching Ching
Head, Group Brand and Communications
Tel: (65) 6530 1531
Fax: (65) 6535 7477

Collins Chin
Head, Investor Relations
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 2018

For the financial year ended 31 December 2018, Group reported net profit after tax was S$4.49 billion. Details of the audited financial results are in the accompanying Group Financial Report.

Ordinary Dividend

A final tax-exempt dividend of 23 cents per share has been recommended for the financial year 2018. Including the interim net dividend of 20 cents per share paid in October 2018, total dividends for financial year 2018 would amount to 43 cents per share.

Closure of Books

The books closure date is 6 May 2019. Please refer to the separate announcement titled "Notice of Books Closure and Application of Scrip Dividend Scheme to FY18 Final Dividend" released by the Bank today.

Scrip Dividend Scheme

The Scrip Dividend Scheme will be applicable to the final dividend. The issue price for the new shares, to be allotted to shareholders who have elected to receive scrip for the final 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 3 May 2019 (the ex-dividend date) to 6 May 2019 (the books closure date), both dates inclusive. Further details can be found in a separate announcement titled "Application of Scrip Dividend Scheme to FY18 Final Dividend" released by the Bank today.

Peter Yeoh
Secretary

Singapore, 22 February 2019

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

Oversea-Chinese Banking Corporation Limited

Financial Year 2018 Group Financial Report

Incorporated in Singapore
Company Registration Number: 193200032W

CONTENTS

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

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$4.49 billion for the financial year ended 31 December 2018 ("FY18"), 11% higher as compared to S$4.05 billion a year ago ("FY17").

FY18 net interest income rose 9% to S$5.89 billion from S$5.42 billion a year ago, underpinned by loan growth and improved net interest margin. Non-interest income was down 7% to S$3.81 billion, from S$4.11 billion in FY17. Net fees and commissions were S$2.03 billion, 4% above S$1.95 billion in FY17, driven by higher wealth management, credit card, loan and trade-related fees. Net trading income of S$508 million was 1% lower from S$515 million a year ago, while income from life and general insurance was little changed at S$911 million. Net realised gains from the sale of investment securities were S$16 million as compared to S$431 million a year ago, which included higher gains realised by Great Eastern Holdings ("GEH") from the divestment of investment securities in FY17. The Group's share of results of associates of S$455 million was 17% higher than the S$389 million reported a year ago.

Operating expenses grew 4% to S$4.21 billion in FY18, from S$4.04 billion a year ago. Total allowances for loans and other assets were lower at S$288 million, as compared to S$671 million in FY17. The Group's non-performing loans ("NPL") ratio was 1.5% as at 31 December 2018, unchanged from a year ago.

Return on equity was 11.5% in FY18, an increase from 11.0% a year ago. Earnings per share was S$1.06, up from S$0.95 in FY17.

The Group's unrealised valuation surplus as at 31 December 2018 amounted to S$7.72 billion. The unrealised valuation surplus represents the difference between the carrying amounts and market values of its properties, investments in associates and quoted subsidiaries.

The Group net profit after tax for the fourth quarter of 2018 ("4Q18") was S$926 million, a 11% decline from S$1.03 billion a year ago, and 26% lower from S$1.25 billion in the previous quarter. The year-on-year decline was largely attributable to lower earnings contribution from GEH.

FINANCIAL SUMMARY *(continued)*

S$ million	2018	2017	+/(-) %	4Q18	4Q17	+/(-) %	3Q18	+/(-) %
Selected Income Statement Items								
Net interest income	**5,890**	5,423	9	**1,520**	1,424	7	1,505	1
Non-interest income	**3,811**	4,105	(7)	**830**	1,214	(32)	1,039	(20)
Total income	**9,701**	9,528	2	**2,350**	2,638	(11)	2,544	(8)
Operating expenses	**(4,214)**	(4,043)	4	**(1,078)**	(1,075)	–	(1,069)	1
Operating profit before allowances and amortisation	**5,487**	5,485	–	**1,272**	1,563	(19)	1,475	(14)
Amortisation of intangible assets	**(102)**	(104)	(2)	**(26)**	(26)	1	(26)	–
Allowances for loans and other assets	**(288)**	(671)	(57)	**(205)**	(178)	14	(49)	311
Operating profit after allowances and amortisation	**5,097**	4,710	8	**1,041**	1,359	(23)	1,400	(26)
Share of results of associates	**455**	389	17	**85**	28	197	134	(37)
Profit before income tax	**5,552**	5,099	9	**1,126**	1,387	(19)	1,534	(27)
Net profit attributable to shareholders	**4,492**	4,045	11	**926**	1,034	(11)	1,245	(26)
Cash basis net profit attributable to shareholders [1/]	**4,594**	4,149	11	**952**	1,060	(10)	1,271	(25)
Selected Balance Sheet Items								
Ordinary equity	**40,637**	37,528	8	**40,637**	37,528	8	39,835	2
Equity attributable to equity holders of the Bank	**42,137**	39,028	8	**42,137**	39,028	8	41,335	2
Total assets	**467,543**	452,693	3	**467,543**	452,693	3	464,115	1
Assets excluding life insurance fund investment assets	**390,676**	378,766	3	**390,676**	378,766	3	386,938	1
Net customer loans	**255,193**	234,141	9	**255,193**	234,141	9	253,823	1
Deposits of non-bank customers	**295,412**	283,642	4	**295,412**	283,642	4	286,686	3

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)*

	2018	2017	4Q18	4Q17	3Q18
Key Financial Ratios (%)					
Performance ratios					
Return on equity [1/ 2/]	**11.5**	11.0	**9.0**	10.9	12.6
Return on assets [3/]	**1.17**	1.11	**0.94**	1.10	1.28
Revenue mix/efficiency ratios					
Net interest margin	**1.70**	1.65	**1.72**	1.67	1.72
Net interest income to total income	**60.7**	56.9	**64.7**	54.0	59.2
Non-interest income to total income	**39.3**	43.1	**35.3**	46.0	40.8
Cost-to-income	**43.4**	42.4	**45.9**	40.8	42.0
Loans-to-deposits	**86.4**	82.5	**86.4**	82.5	88.5
NPL ratio	**1.5**	1.5	**1.5**	1.5	1.4
Capital adequacy ratios [8/]					
Common Equity Tier 1	**14.0**	13.9	**14.0**	13.9	13.6
Tier 1	**14.8**	14.9	**14.8**	14.9	14.4
Total	**16.4**	17.2	**16.4**	17.2	16.1
Leverage ratio [5/ 8/]	**7.2**	7.3	**7.2**	7.3	7.1
Liquidity coverage ratios [6/ 8/]					
Singapore dollar	**244**	262	**265**	254	232
All-currency	**143**	148	**156**	159	130
Net stable funding ratio [7/ 8/]	**109**	na	**109**	na	108
Earnings per share (S$) [2/]					
Basic earnings	**1.06**	0.95	**0.85**	0.96	1.17
Diluted earnings	**1.06**	0.95	**0.85**	0.96	1.17
Net asset value per share (S$)					
Before valuation surplus	**9.56**	8.96	**9.56**	8.96	9.37
After valuation surplus	**11.38**	11.34	**11.38**	11.34	11.46

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 insurance fund investment assets.
4. Return on equity, return on assets, net interest margin and earnings per share for the quarters are computed on an annualised basis.
5. The Group's Leverage ratio is 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. Public disclosures required under MAS Notice 637 Notice on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore, MAS Notice 651 Liquidity Coverage Ratio Disclosure and 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).
9. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.
10. "na" denotes not applicable.

NET INTEREST INCOME

Average Balance Sheet

S$ million	2018 Average Balance	2018 Interest	2018 Average Rate	2017 Average Balance	2017 Interest	2017 Average Rate
			%			%
Interest earning assets						
Loans and advances to non-bank customers	**247,778**	**8,195**	**3.31**	225,150	6,845	3.04
Placements with and loans to banks	**50,110**	**1,559**	**3.11**	54,616	1,090	2.00
Other interest earning assets	**49,473**	**1,295**	**2.62**	49,026	1,183	2.41
	347,361	**11,049**	**3.18**	328,792	9,118	2.77
Interest bearing liabilities						
Deposits of non-bank customers	**287,333**	**4,169**	**1.45**	268,235	2,960	1.10
Deposits and balances of banks	**8,646**	**182**	**2.11**	11,065	142	1.28
Other borrowings	**31,482**	**808**	**2.56**	28,884	593	2.05
	327,461	**5,159**	**1.58**	308,184	3,695	1.20
Net interest income/margin [1/]		**5,890**	**1.70**		5,423	1.65

S$ million	4Q18 Average Balance	4Q18 Interest	4Q18 Average Rate [2/]	4Q17 Average Balance	4Q17 Interest	4Q17 Average Rate [2/]	3Q18 Average Balance	3Q18 Interest	3Q18 Average Rate [2/]
			%			%			%
Interest earning assets									
Loans and advances to non-bank customers	**253,624**	**2,216**	**3.47**	232,732	1,796	3.06	250,847	2,133	3.37
Placements with and loans to banks	**47,434**	**424**	**3.54**	55,850	325	2.31	46,570	382	3.26
Other interest earning assets	**48,930**	**337**	**2.73**	50,535	307	2.41	50,082	338	2.67
	349,988	**2,977**	**3.37**	339,117	2,428	2.84	347,499	2,853	3.26
Interest bearing liabilities									
Deposits of non-bank customers	**290,710**	**1,179**	**1.61**	278,272	809	1.15	286,592	1,084	1.50
Deposits and balances of banks	**7,567**	**46**	**2.40**	8,738	33	1.47	9,069	50	2.20
Other borrowings	**32,504**	**232**	**2.83**	31,496	162	2.05	31,226	214	2.72
	330,781	**1,457**	**1.75**	318,506	1,004	1.25	326,887	1,348	1.64
Net interest income/margin [1/]		**1,520**	**1.72**		1,424	1.67		1,505	1.72

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 9% to S$5.89 billion in FY18, from S$5.42 billion a year ago, mainly driven by loan growth and a rise in net interest margin. Net interest margin was up 5 basis points at 1.70% from 1.65% in FY17 underpinned by higher margins in Singapore, Malaysia and Greater China.

Net interest income for 4Q18 was S$1.52 billion, 7% higher than S$1.42 billion a year ago, largely attributable to loan growth and a 5 basis points increase in net interest margin to 1.72% from 1.67% a year ago. Compared with 3Q18, net interest income rose 1%.

Volume and Rate Analysis

	2018 vs 2017			4Q18 vs 4Q17			4Q18 vs 3Q18		
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	688	662	1,350	161	259	420	24	59	83
Placements with and loans to banks	(90)	559	469	(48)	147	99	7	35	42
Other interest earning assets	11	101	112	(10)	40	30	(8)	7	(1)
	609	1,322	1,931	103	446	549	23	101	124
Interest expense									
Deposits of non-bank customers	211	998	1,209	36	334	370	16	79	95
Deposits and balances of banks	(31)	71	40	(4)	17	13	(8)	4	(4)
Other borrowings	53	162	215	5	65	70	8	10	18
	233	1,231	1,464	37	416	453	16	93	109
Impact on net interest income	376	91	467	66	30	96	7	8	15
Due to change in number of days			–			–			–
Net interest income			467			96			15

NON-INTEREST INCOME

S$ million	2018	2017	+/(-)	4Q18	4Q17	+/(-)	3Q18	+/(-)
			%			%		%
Gross fee and commission income [2]								
Brokerage	**105**	111	(6)	**21**	28	(25)	20	5
Wealth management	**958**	914	5	**206**	236	(13)	238	(13)
Fund management	**113**	108	4	**28**	28	(1)	28	(2)
Credit card	**351**	315	11	**91**	85	6	92	(2)
Loan-related	**300**	292	3	**72**	70	3	81	(11)
Trade-related and remittances	**239**	217	10	**62**	56	12	62	1
Guarantees	**18**	19	(7)	**4**	5	(19)	5	(16)
Investment banking	**102**	99	3	**25**	26	(5)	21	19
Service charges	**100**	100	–	**25**	21	20	20	25
Others	**40**	39	3	**9**	10	(5)	13	(29)
	2,326	2,214	5	**543**	565	(4)	580	(6)
Fee and commission expense	**(295)**	(261)	13	**(69)**	(74)	(6)	(78)	(10)
Fees and commissions (net)	**2,031**	1,953	4	**474**	491	(4)	502	(6)
Dividends	**128**	76	67	**15**	11	29	60	(75)
Rental income	**79**	83	(4)	**20**	21	(6)	20	(3)
Income from life and general insurance								
Profit from life insurance	**740**	768	(4)	**199**	270	(26)	184	8
Premium income from general insurance	**171**	150	15	**48**	40	20	41	17
Sub-total	**911**	918	(1)	**247**	310	(20)	225	10
Other income								
Net trading income	**508**	515	(1)	**9**	99	(91)	213	(96)
Net gain from investment securities	**16**	431	(96)	**2**	249	(99)	4	(54)
Net gain/(loss) from disposal of subsidiaries and associates	**8**	34	(76)	**3**	21	(85)	(0)	nm
Net gain from disposal of properties	**47**	57	(18)	**6**	1	342	7	(7)
Others	**83**	38	116	**54**	11	410	8	565
Sub-total	**662**	1,075	(38)	**74**	381	(80)	232	(68)
Total non-interest income	**3,811**	4,105	(7)	**830**	1,214	(32)	1,039	(20)
Fees and commissions (net)/Total income	**20.9%**	20.5%		**20.2%**	18.6%		19.8%	

Notes:
1. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.
2. Comparative figures have been restated to conform with current period's presentation.

Non-interest income in FY18 was S$3.81 billion, and was 7% lower as compared to S$4.11 billion a year ago.

Net fees and commissions rose 4% to S$2.03 billion in FY18. This was largely driven by an increase in wealth management, credit card, loan and trade-related fees. FY18 wealth management fee income was up 5% at S$958 million, despite slower fourth quarter performance as a result of weak investment sentiments during the quarter. Net trading income was S$508 million and was slightly below the S$515 million a year ago. Income from life and general insurance was relatively unchanged from a year ago at S$911 million. Dividend income increased 67% to S$128 million from S$76 million in FY17. Net realised gains from the sale of investment securities was S$16 million as compared to S$431 million a year ago, which had included significantly higher gains realised by GEH from the divestment of investment securities in FY17.

Compared to 4Q17, non-interest income declined 32%, led by lower investment income and insurance income from GEH.

OPERATING EXPENSES

S$ million	2018	2017	+/(-) %	4Q18	4Q17	+/(-) %	3Q18	+/(-) %
Staff costs	**2,606**	2,471	5	**660**	642	3	651	1
Property and equipment								
Depreciation	**317**	315	1	**80**	81	–	80	1
Maintenance	**124**	121	2	**34**	33	1	32	4
Rental expenses	**100**	99	1	**25**	25	–	24	1
Others	**271**	258	5	**77**	71	8	64	21
	812	793	2	**216**	210	3	200	8
Other operating expenses	**796**	779	2	**202**	223	(9)	218	(7)
Total operating expenses	**4,214**	4,043	4	**1,078**	1,075	–	1,069	1
Group staff strength								
Period end	**29,706**	29,174	2	**29,706**	29,174	2	29,719	–
Average	**29,549**	29,401	1	**29,736**	29,247	2	29,657	–

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

Operating expenses grew 4% to S$4.21 billion in FY18 from S$4.04 billion a year ago. Staff costs were up 5% to S$2.61 billion, from S$2.47 billion in FY17. Property and equipment-related expenses were S$812 million, an increase of 2% from S$793 million a year ago.

4Q18 operating expenses were stable year-on-year.

The cost-to-income ratio was higher at 43.4% in FY18 compared to 42.4% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S$ million	2018	2017	+/(-) %	4Q18	4Q17	+/(-) %	3Q18	+/(-) %
Allowances/(write-back):								
Impaired loans [2/]								
Singapore	**219**	486	(55)	**140**	281	(50)	117	19
Malaysia	**64**	297	(79)	**11**	263	(96)	30	(63)
Greater China	**34**	84	(59)	**16**	8	104	17	(7)
Others	**80**	540	(85)	**83**	503	(84)	(63)	232
	397	1,407	(72)	**250**	1,055	(76)	101	146
Impaired other assets	**5**	50	(90)	**(0)**	10	(101)	(2)	97
Non-impaired loans [3/]	**(90)**	(786)	89	**(47)**	(887)	95	(45)	(5)
Non-impaired other assets	**(24)**	–	–	**2**	–	–	(5)	150
Allowances for loans and other assets	**288**	671	(57)	**205**	178	14	49	311

Notes:
2. Referred to as specific allowances for periods prior to 2018.
3. Referred to as portfolio allowances for periods prior to 2018.

Allowances for loans and other assets were S$288 million in FY18, lower than S$671 million a year ago when allowances were set aside for corporate accounts in the oil and gas support vessels and services sector.

Allowances for loans and other assets were S$205 million for the quarter, an increase as compared to S$178 million a year ago and S$49 million in the previous quarter, mainly from allowances made for loans in the general commerce sector and for previously identified groups in the oil and gas support vessels and services sector.

CUSTOMER LOANS

S$ million	31 Dec 2018	31 Dec 2017	30 Sep 2018
Loans to customers	**248,326**	229,523	247,258
Bills receivable	**9,379**	7,798	9,318
Gross customer loans	**257,705**	237,321	256,576
Allowances			
Impaired loans	**(1,219)**	(1,236)	(1,267)
Non-impaired loans	**(984)**	(1,417)	(1,027)
	255,502	234,668	254,282
Less: assets pledged	**(309)**	(527)	(459)
Net customer loans	**255,193**	234,141	253,823
By Maturity			
Within 1 year	**107,516**	96,639	109,400
1 to 3 years	**41,075**	36,861	38,569
Over 3 years	**109,114**	103,821	108,607
	257,705	237,321	256,576
By Industry			
Agriculture, mining and quarrying	**8,894**	8,073	10,056
Manufacturing	**16,703**	12,501	16,399
Building and construction	**53,572**	35,436	51,463
Housing loans	**64,753**	64,542	65,553
General commerce	**34,664**	29,010	34,959
Transport, storage and communication	**13,917**	11,568	13,832
Financial institutions, investment and holding companies	**22,144** [2/]	37,838	20,801 [2/]
Professionals and individuals	**30,373**	28,704	30,698
Others	**12,685**	9,649	12,815
	257,705	237,321	256,576
By Currency			
Singapore Dollar	**91,640**	85,485	90,067
United States Dollar	**67,248**	61,445	67,907
Malaysian Ringgit	**20,870**	20,481	20,942
Indonesian Rupiah	**8,695**	7,795	8,437
Hong Kong Dollar	**35,195**	33,011	35,714
Chinese Renminbi	**4,502**	4,626	4,708
Others	**29,555**	24,478	28,801
	257,705	237,321	256,576
By Geography [1/]			
Singapore	**108,169**	99,872	105,897
Malaysia	**29,649**	28,231	29,931
Indonesia	**19,660**	19,259	20,073
Greater China	**64,404**	59,114	65,929
Other Asia Pacific	**13,595**	12,754	13,457
Rest of the World	**22,228**	18,091	21,289
	257,705	237,321	256,576

Notes:
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.
2. Exposure to investment and other holding companies were recategorised to the underlying industries.

Gross customer loans were S$258 billion as at 31 December 2018, and were higher from a year ago and the previous quarter. In constant currency terms, customer loans grew 8% year-on-year and 1% quarter-on-quarter.

NON-PERFORMING ASSETS

S$ million	Total NPAs [1/]	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs	NPLs [2/]	NPL Ratio [2/]
					%		%
Singapore							
31 Dec 2018	**1,540**	**923**	**433**	**184**	**65.0**	**1,456**	**1.3**
30 Sep 2018	1,196	811	213	172	74.7	1,153	1.1
31 Dec 2017	1,132	772	212	148	73.1	1,086	1.1
Malaysia							
31 Dec 2018	**806**	**395**	**369**	**42**	**70.9**	**803**	**2.7**
30 Sep 2018	786	398	350	38	72.9	783	2.6
31 Dec 2017	862	485	335	42	77.4	857	3.0
Indonesia							
31 Dec 2018	**619**	**406**	**95**	**118**	**75.0**	**618**	**3.1**
30 Sep 2018	774	482	124	168	66.2	772	3.8
31 Dec 2017	589	399	29	161	73.4	588	3.1
Greater China							
31 Dec 2018	**262**	**120**	**106**	**36**	**49.9**	**261**	**0.4**
30 Sep 2018	200	71	91	38	61.6	199	0.3
31 Dec 2017	232	74	110	48	54.4	232	0.4
Other Asia Pacific							
31 Dec 2018	**176**	**158**	**18**	**0**	**57.3**	**165**	**1.2**
30 Sep 2018	287	215	72	0	53.1	275	2.0
31 Dec 2017	252	223	29	–	68.7	252	2.0
Rest of the World							
31 Dec 2018	**535**	**354**	**180**	**1**	**66.5**	**535**	**2.4**
30 Sep 2018	351	345	5	1	99.0	351	1.7
31 Dec 2017	401	386	13	2	97.3	400	2.2
Group							
31 Dec 2018	**3,938**	**2,356**	**1,201**	**381**	**66.7**	**3,838**	**1.5**
30 Sep 2018	3,594	2,322	855	417	72.4	3,533	1.4
31 Dec 2017	3,468	2,339	728	401	75.5	3,415	1.5

Notes:

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

NON-PERFORMING ASSETS *(continued)*

The Group's asset quality remained sound. Non-performing assets ("NPAs") were S$3.94 billion as at 31 December 2018, and were 14% higher than S$3.47 billion a year ago. The year-on-year increase was led by loans to the general commerce sector.

The Group's NPL ratio was unchanged from a year ago at 1.5%. Of the total NPAs, 60% were in the substandard category and 67% were secured by collateral.

	31 Dec 2018		31 Dec 2017		30 Sep 2018	
	S$ million	% of loans	S$ million	% of loans	S$ million	% of loans
NPLs by Industry						
Loans and advances						
Agriculture, mining and quarrying	**555**	**6.2**	305	3.8	382	3.8
Manufacturing	**395**	**2.4**	304	2.4	403	2.5
Building and construction	**143**	**0.3**	59	0.2	143	0.3
Housing loans	**429**	**0.7**	392	0.6	409	0.6
General commerce	**676**	**2.0**	291	1.0	406	1.2
Transport, storage and communication	**1,328**	**9.5**	1,277	11.0	1,362	9.8
Financial institutions, investment and holding companies	**38** [1/]	**0.2**	376	1.0	39 [1/]	0.2
Professionals and individuals	**118**	**0.4**	146	0.5	122	0.4
Others	**156**	**1.2**	265	2.7	267	2.1
Total NPLs	**3,838**	**1.5**	3,415	1.5	3,533	1.4
Classified debt securities	**2**		35		26	
Classified contingent liabilities	**98**		18		35	
Total NPAs	**3,938**		3,468		3,594	

	31 Dec 2018		31 Dec 2017		30 Sep 2018	
	S$ million	%	S$ million	%	S$ million	%
NPAs by Period Overdue						
Over 180 days	**1,225**	**31**	1,212	35	1,216	34
Over 90 to 180 days	**397**	**10**	257	8	317	9
30 to 90 days	**396**	**10**	313	9	578	16
Less than 30 days	**164**	**4**	48	1	204	6
Not overdue	**1,756**	**45**	1,638	47	1,279	35
	3,938	**100**	3,468	100	3,594	100

S$ million	31 Dec 2018		31 Dec 2017		30 Sep 2018	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans						
Substandard	**765**	**113**	703	242	779	215
Doubtful	**157**	**99**	211	128	272	193
Loss	**33**	**12**	52	42	75	49
	955	**224**	966	412	1,126	457

Note:
1. Exposure to investment and other holding companies were recategorised to the underlying industries.

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					
31 Dec 2018	**1,160**	**483**	**677**	**31.3**	**75.4**
30 Sep 2018	1,021	353	668	29.6	85.4
31 Dec 2017	764	320	444	28.2	67.4
Malaysia					
31 Dec 2018	**552**	**333**	**219**	**41.3**	**68.5**
30 Sep 2018	536	330	206	41.9	68.2
31 Dec 2017	618	340	278	39.4	71.8
Indonesia					
31 Dec 2018	**407**	**200**	**207**	**32.2**	**65.7**
30 Sep 2018	510	293	217	37.8	65.8
31 Dec 2017	416	232	184	39.4	70.7
Greater China					
31 Dec 2018	**390**	**61**	**329**	**23.4**	**148.9**
30 Sep 2018	373	51	322	25.5	186.6
31 Dec 2017	428	61	367	26.5	184.8
Other Asia Pacific					
31 Dec 2018	**45**	**2**	**43**	**1.4**	**25.8**
30 Sep 2018	157	112	45	39.2	55.0
31 Dec 2017	194	111	83	44.1	77.0
Rest of the World					
31 Dec 2018	**215**	**142**	**73**	**26.6**	**40.1**
30 Sep 2018	201	130	71	37.0	57.1
31 Dec 2017	246	185	61	46.2	61.4
Group					
31 Dec 2018	**2,769**	**1,221**	**1,548**	**31.0**	**70.3**
30 Sep 2018	2,798	1,269	1,529	35.3	77.9
31 Dec 2017	2,666	1,249	1,417	36.0	76.9

Notes:
1. Included regulatory loss allowance reserve.
2. Referred to as specific allowances for periods prior to 2018.
3. Referred to as portfolio allowances for periods prior to 2018.

As at 31 December 2018, the Group's total cumulative allowances for assets were S$2.77 billion, comprising S$1.22 billion in allowances for impaired assets and S$1.55 billion in allowances for non-impaired assets. The cumulative allowances represented 211% of unsecured NPAs and 70% of total NPAs.

DEPOSITS

S$ million	31 Dec 2018	31 Dec 2017	30 Sep 2018
Deposits of non-bank customers	**295,412**	283,642	286,686
Deposits and balances of banks	**7,576**	7,485	9,141
	302,988	291,127	295,827
Total Deposits By Maturity			
Within 1 year	**297,702**	287,957	291,004
1 to 3 years	**2,749**	1,328	2,574
Over 3 years	**2,537**	1,842	2,249
	302,988	291,127	295,827
Non-Bank Deposits By Product			
Fixed deposits	**131,610**	118,078	127,616
Savings deposits	**52,796**	51,817	52,245
Current account	**84,295**	87,773	84,074
Others	**26,711**	25,974	22,751
	295,412	283,642	286,686
Non-Bank Deposits By Currency			
Singapore Dollar	**105,327**	97,665	102,924
United States Dollar	**91,036**	93,415	89,380
Malaysian Ringgit	**23,297**	22,364	22,822
Indonesian Rupiah	**9,474**	8,206	7,835
Hong Kong Dollar	**28,428**	28,640	28,718
Chinese Renminbi	**7,674**	7,551	8,048
Others	**30,176**	25,801	26,959
	295,412	283,642	286,686

Non-bank customer deposits as at 31 December 2018 were S$295 billion, up 4% from a year ago and 3% higher than the previous quarter. The ratio of current account and savings deposits to total non-bank deposits was 46.4% as at 31 December 2018. The Group's loans-to-deposits ratio was 86.4%, as compared to 82.5% a year ago and 88.5% in the previous quarter.

DEBT ISSUED

S$ million	31 Dec 2018	31 Dec 2017	30 Sep 2018
Unsecured			
Subordinated debt	**3,247**	4,556	3,215
Fixed and floating rate notes	**3,857**	3,425	4,232
Commercial papers	**18,155**	21,381	19,692
Structured notes	**1,483**	1,289	1,527
Secured			
Covered bonds	**3,530**	1,584	3,576
	30,272	32,235	32,242
Debt Issued By Maturity			
Within one year	**20,526**	24,618	21,532
Over one year	**9,746**	7,617	10,710
	30,272	32,235	32,242

As at 31 December 2018, the Group had S$18.16 billion of commercial papers outstanding, lower from a year ago and 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 RATIOS [1]

S$ million	31 Dec 2018	31 Dec 2017	30 Sep 2018
Ordinary shares	**15,750**	14,136	15,761
Disclosed reserves/others	**19,219**	18,130	18,415
Regulatory adjustments	**(6,901)**	(5,359)	(6,799)
Common Equity Tier 1 Capital	**28,068**	26,907	27,377
Additional Tier 1 capital	**1,572**	2,985	1,571
Regulatory adjustments	**–**	(932)	–
Tier 1 Capital	**29,640**	28,960	28,948
Tier 2 capital	**3,347**	4,673	3,353
Regulatory adjustments	**(1)**	(408)	(1)
Total Eligible Capital	**32,986**	33,225	32,300
Risk Weighted Assets	**200,248**	193,082	200,322
Capital Adequacy Ratios			
Common Equity Tier 1	**14.0%**	13.9%	13.6%
Tier 1	**14.8%**	14.9%	14.4%
Total	**16.4%**	17.2%	16.1%

The Group remains strongly capitalised, with a Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") of 14.0%, and Tier 1 and Total CAR of 14.8% and 16.4% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2018 [2].

The capital adequacy of the Group's significant banking subsidiaries as at 31 December 2018 were:

S$ million	Total Risk Weighted Assets	Capital Adequacy Ratios		
		Common Equity Tier 1	Tier 1	Total
OCBC Wing Hang Bank Limited	23,091	13.1%	14.2%	16.4%
OCBC Bank (Malaysia) Berhad	13,464	13.1%	15.0%	17.6%
Bank OCBC NISP	13,354	16.6%	16.6%	17.6%

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 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.

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	2018	2017	+/(-) %	4Q18	4Q17	+/(-) %	3Q18	+/(-) %
Global Consumer/Private Banking	**1,318**	1,230	7	**303**	285	6	316	(4)
Global Corporate/Investment Banking	**1,825**	1,404	30	**343**	258	33	472	(27)
Global Treasury and Markets	**501**	482	4	**109**	95	15	142	(23)
OCBC Wing Hang	**497**	370	34	**129**	83	55	135	(4)
Insurance	**811**	1,144	(29)	**138**	482	(71)	239	(42)
Others	**145**	80	82	**19**	156	(88)	96	(81)
Operating profit after allowances and amortisation	**5,097**	4,710	8	**1,041**	1,359	(23)	1,400	(26)

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 rose 7% to S$1.32 billion in FY18, led by higher net interest income and fee income, partly offset by an increase in expenses. 4Q18 operating profit was 6% higher year-on-year at S$303 million from net interest income growth, which more than offset a fall in fee income. Compared with 3Q18, operating profit declined by 4%, mainly attributable to lower fee income.

Global Corporate/Investment Banking

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking 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 FY18 operating profit after allowances was S$1.83 billion, 30% higher from S$1.40 billion a year ago, driven by an increase in net interest income and fee income, as well as lower allowances. 4Q18 operating profit rose 33% year-on-year to S$343 million, led by net interest income growth which was partly offset by an increase in both expenses and allowances. Quarter-on-quarter, operating profit fell by 27%, as higher net interest income, was offset by lower fee income and a rise in allowances.

Global Treasury and Markets

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

Global Treasury's operating profit after allowances was S$501 million in FY18 and S$109 million in 4Q18, a year-on-year increase of 4% and 15% respectively. The operating profit growth for both periods was largely attributable to higher net trading income and lower allowances, partly offset by lower net interest income. Against the previous quarter, a decline in net trading income contributed to a 23% fall in operating profit.

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 34% to S$497 million in FY18 from broad-based income growth, partly offset by an increase in allowances. 4Q18 operating profit rose 55% to S$129 million, from S$83 million a year ago, driven by income growth and a decline in expenses. Quarter-on-quarter, operating profit declined by 4%, mainly from lower net interest income and higher 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 fell by 29% to S$811 million in FY18 and was down 71% at S$138 million in 4Q18. The year-on-year decline for both periods was mainly attributable to unrealised mark-to-market losses in its investment portfolio and the prior year also included substantially higher realised gains from the divestment of investment securities. Compared with 3Q18, operating profit fell 42% mainly from weaker investment performance.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S$604 million in FY18 and S$109 million in 4Q18, lower than S$863 million in FY17 and S$363 million in 4Q17 respectively.

Others

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

OCBC Bank

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
2018							
Net interest income	**1,911**	**2,580**	**623**	**823**	**79**	**(126)**	**5,890**
Non-interest income	**1,496**	**842**	**138**	**302**	**993**	**40**	**3,811**
Total income	**3,407**	**3,422**	**761**	**1,125**	**1,072**	**(86)**	**9,701**
Operating profit before allowances and amortisation	**1,370**	**2,314**	**495**	**570**	**852**	**(114)**	**5,487**
Amortisation of intangible assets	**(15)**	**–**	**–**	**(41)**	**(46)**	**–**	**(102)**
Allowance for loans and impairment for other assets	**(37)**	**(489)**	**6**	**(32)**	**5**	**259**	**(288)**
Operating profit after allowances and amortisation	**1,318**	**1,825**	**501**	**497**	**811**	**145**	**5,097**
Other information:							
Capital expenditure	**58**	**4**	**0**	**20**	**58**	**157**	**297**
Depreciation	**42**	**8**	**1**	**64**	**6**	**196**	**317**
2017							
Net interest income	1,780	2,239	691	756	90	(133)	5,423
Non-interest income	1,438	781	63	212	1,390	221	4,105
Total income	3,218	3,020	754	968	1,480	88	9,528
Operating profit before allowances and amortisation	1,312	1,978	493	415	1,208	79	5,485
Amortisation of intangible assets	(15)	–	–	(42)	(47)	–	(104)
Allowance for loans and impairment for other assets	(67)	(574)	(11)	(3)	(17)	1	(671)
Operating profit after allowances and amortisation	1,230	1,404	482	370	1,144	80	4,710
Other information:							
Capital expenditure	33	2	0	13	59	156	263
Depreciation	43	10	1	66	5	190	315

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
4Q18							
Net interest income	**487**	**684**	**159**	**207**	**21**	**(38)**	**1,520**
Non-interest income	**337**	**195**	**13**	**92**	**191**	**2**	**830**
Total income	**824**	**879**	**172**	**299**	**212**	**(36)**	**2,350**
Operating profit before allowances and amortisation	**322**	**593**	**101**	**157**	**150**	**(51)**	**1,272**
Amortisation of intangible assets	**(4)**	**–**	**–**	**(10)**	**(12)**	**–**	**(26)**
Allowance for loans and impairment for other assets	**(15)**	**(250)**	**8**	**(18)**	**0**	**70**	**(205)**
Operating profit after allowances and amortisation	**303**	**343**	**109**	**129**	**138**	**19**	**1,041**
Other information:							
Capital expenditure	**18**	**2**	**0**	**9**	**16**	**56**	**101**
Depreciation	**11**	**2**	**0**	**16**	**2**	**49**	**80**
4Q17							
Net interest income	461	585	187	201	21	(31)	1,424
Non-interest income	360	144	(27)	42	566	129	1,214
Total income	821	729	160	243	587	98	2,638
Operating profit before allowances and amortisation	311	461	96	98	497	100	1,563
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowance for loans and impairment for other assets	(22)	(203)	(1)	(5)	(3)	56	(178)
Operating profit after allowances and amortisation	285	258	95	83	482	156	1,359
Other information:							
Capital expenditure	14	1	0	5	12	57	89
Depreciation	11	2	0	17	3	48	81
3Q18							
Net interest income	481	652	162	210	20	(20)	1,505
Non-interest income	365	228	48	92	295	11	1,039
Total income	846	880	210	302	315	(9)	2,544
Operating profit before allowances and amortisation	326	603	142	159	249	(4)	1,475
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowance for loans and impairment for other assets	(6)	(131)	0	(14)	2	100	(49)
Operating profit after allowances and amortisation	316	472	142	135	239	96	1,400
Other information:							
Capital expenditure	16	1	0	2	16	35	70
Depreciation	11	2	0	16	2	49	80

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 2018							
Segment assets	**111,913**	**139,922**	**78,819**	**56,693**	**85,745**	**18,536**	**491,628**
Unallocated assets							**1,292**
Elimination							**(25,377)**
Total assets							**467,543**
Segment liabilities	**128,101**	**113,063**	**58,609**	**48,236**	**75,879**	**23,175**	**447,063**
Unallocated liabilities							**2,465**
Elimination							**(25,377)**
Total liabilities							**424,151**
Other information:							
Gross non-bank loans	**94,128**	**132,028**	**2,195**	**33,998**	**15**	**(4,659)**	**257,705**
NPAs	**568**	**3,309**	**–**	**211**	**2**	**(152)**	**3,938**
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 September 2018							
Segment assets	112,185	139,618	75,557	55,741	86,124	16,198	485,423
Unallocated assets							1,138
Elimination							(22,446)
Total assets							464,115
Segment liabilities	126,235	113,133	53,999	47,367	76,089	24,619	441,442
Unallocated liabilities							2,544
Elimination							(22,446)
Total liabilities							421,540
Other information:							
Gross non-bank loans	94,871	131,004	1,658	33,849	15	(4,821)	256,576
NPAs	558	2,971	–	143	2	(80)	3,594

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2018		2017		4Q18		4Q17		3Q18	
	S$ million	%	S$ million	%	S$ million	%	S$ million	%	S$ million	%
Total income										
Singapore	**5,552**	**57**	5,683	60	**1,314**	**56**	1,617	61	1,488	59
Malaysia	**1,457**	**15**	1,328	14	**359**	**15**	381	15	358	14
Indonesia	**769**	**8**	808	8	**198**	**8**	199	8	195	8
Greater China	**1,477**	**15**	1,326	14	**367**	**16**	339	13	392	15
Other Asia Pacific	**212**	**2**	162	2	**48**	**2**	41	1	50	2
Rest of the World	**234**	**3**	221	2	**64**	**3**	61	2	61	2
	9,701	**100**	9,528	100	**2,350**	**100**	2,638	100	2,544	100
Profit before income tax										
Singapore	**2,975**	**54**	2,760	54	**602**	**54**	798	57	802	52
Malaysia	**913**	**16**	706	14	**213**	**19**	111	8	230	15
Indonesia	**354**	**6**	449	9	**117**	**10**	221	16	123	8
Greater China	**1,037**	**19**	978	19	**124**	**11**	216	16	315	21
Other Asia Pacific	**158**	**3**	119	2	**36**	**3**	44	3	33	2
Rest of the World	**115**	**2**	87	2	**34**	**3**	(3)	–	31	2
	5,552	**100**	5,099	100	**1,126**	**100**	1,387	100	1,534	100

	31 Dec 2018		31 Dec 2017		30 Sep 2018	
	S$ million	%	S$ million	%	S$ million	%
Total assets						
Singapore	**271,142**	**58**	255,873	57	268,534	58
Malaysia	**66,173**	**14**	62,372	14	65,726	14
Indonesia	**16,481**	**4**	15,361	3	15,219	3
Greater China	**80,917**	**17**	85,757	19	83,358	18
Other Asia Pacific	**14,114**	**3**	13,399	3	14,098	3
Rest of the World	**18,716**	**4**	19,931	4	17,180	4
	467,543	**100**	452,693	100	464,115	100

Note:
1. 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 FY18, Singapore accounted for 57% of total income and 54% of pre-tax profit, while Malaysia contributed 15% of total income and 16% of pre-tax profit. Indonesia comprised 8% of total income and 6% of pre-tax profit. Greater China made up for 15% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S$2.98 billion in FY18, an increase of 8% from S$2.76 billion a year ago, led by higher net interest income and lower allowances, which more than offset a decline in profit from life insurance. Malaysia's pre-tax profit was S$913 million, 29% higher than S$706 million in FY17, mainly attributable to net interest income growth and lower allowances. Pre-tax profit for Indonesia was S$354 million in FY18, 21% lower from a year ago, largely as a result of write-back of portfolio allowances in FY17. Pre-tax profit for Greater China increased 6% to S$1.04 billion driven by higher net interest income and trading income.

HALF-YEARLY INCOME AND PROFIT

S$ million	2018	2017	+/(-)
			%
Total income			
First half year	**4,807**	4,473	7
Second half year	**4,894**	5,055	(3)
	9,701	9,528	2
Profit for the year			
First half year	**2,419**	1,996	21
Second half year	**2,256**	2,300	(2)
	4,675	4,296	9

AUDITED CONSOLIDATED INCOME STATEMENT

S$ million	2018	2017	+/(-)@ %	4Q18@	4Q17@	+/(-)@ %	3Q18@	+/(-)@ %
Interest income	**11,049**	9,118	21	**2,977**	2,428	23	2,853	4
Interest expense	**(5,159)**	(3,695)	40	**(1,457)**	(1,004)	45	(1,348)	8
Net interest income	**5,890**	5,423	9	**1,520**	1,424	7	1,505	1
Premium income	**11,674**	12,118	(4)	**2,857**	4,194	(32)	3,378	(15)
Investment income	**69**	4,117	(98)	**(956)**	1,002	(195)	1,347	(171)
Net claims, surrenders and annuities	**(6,266)**	(5,339)	17	**(1,638)**	(1,468)	12	(1,699)	(4)
Change in life insurance fund contract liabilities	**(3,183)**	(8,217)	(61)	**317**	(2,900)	(111)	(2,375)	(113)
Commission and others	**(1,554)**	(1,911)	(19)	**(381)**	(558)	(32)	(467)	(18)
Profit from life insurance	**740**	768	(4)	**199**	270	(26)	184	8
Premium income from general insurance	**171**	150	15	**48**	40	20	41	17
Fees and commissions (net)	**2,031**	1,953	4	**474**	491	(4)	502	(6)
Dividends	**128**	76	67	**15**	11	29	60	(75)
Rental income	**79**	83	(4)	**20**	21	(6)	20	(3)
Other income	**662**	1,075	(38)	**74**	381	(80)	232	(68)
Non-interest income	**3,811**	4,105	(7)	**830**	1,214	(32)	1,039	(20)
Total income	**9,701**	9,528	2	**2,350**	2,638	(11)	2,544	(8)
Staff costs	**(2,606)**	(2,471)	5	**(660)**	(642)	3	(651)	1
Other operating expenses	**(1,608)**	(1,572)	2	**(418)**	(433)	(4)	(418)	–
Total operating expenses	**(4,214)**	(4,043)	4	**(1,078)**	(1,075)	–	(1,069)	1
Operating profit before allowances and amortisation	**5,487**	5,485	–	**1,272**	1,563	(19)	1,475	(14)
Amortisation of intangible assets	**(102)**	(104)	(2)	**(26)**	(26)	1	(26)	–
Allowances for loans and other assets	**(288)**	(671)	(57)	**(205)**	(178)	14	(49)	311
Operating profit after allowances and amortisation	**5,097**	4,710	8	**1,041**	1,359	(23)	1,400	(26)
Share of results of associates	**455**	389	17	**85**	28	197	134	(37)
Profit before income tax	**5,552**	5,099	9	**1,126**	1,387	(19)	1,534	(27)
Income tax expense	**(877)**	(803)	9	**(171)**	(257)	(33)	(233)	(27)
Profit for the period	**4,675**	4,296	9	**955**	1,130	(16)	1,301	(27)
Profit attributable to:								
Equity holders of the Bank	**4,492**	4,045	11	**926**	1,034	(11)	1,245	(26)
Non-controlling interests	**183**	251	(27)	**29**	96	(70)	56	(48)
	4,675	4,296	9	**955**	1,130	(16)	1,301	(27)
Earnings per share 2/ **(for the period – cents)**								
Basic	**106.4**	95.1		**21.8**	24.1		29.5	
Diluted	**106.2**	95.0		**21.7**	24.1		29.5	

Notes:
1. "@" represents unaudited.
2. Earnings mean profit attributable to ordinary equity holders of the bank.
3. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

S$ million	2018	2017	+/(-)@ %	4Q18@	4Q17@	+/(-)@ %	3Q18@	+/(-)@ %
Profit for the year/period	**4,675**	4,296	9	**955**	1,130	(16)	1,301	(27)
Other comprehensive income:								
Items that may be reclassified subsequently to income statement:								
Financial assets, at FVOCI [3] / available-for-sale								
Gains/(losses) for the year/period	**(288)**	563	(151)	**71**	22	226	34	110
Reclassification of (gains)/losses to income statement								
– on disposal	**(12)**	(406)	97	**(1)**	(249)	100	(4)	82
– on impairment	**(26)**	50	(151)	**2**	10	(80)	2	15
Tax on net movements	**46**	(13)	441	**(10)**	28	(134)	(4)	(165)
Cash flow hedges	**1**	(0)	nm	**2**	(0)	nm	(1)	253
Currency translation on foreign operations	**(134)**	(529)	75	**16**	(45)	135	(187)	108
Other comprehensive income of associates	**16**	(143)	111	**54**	40	34	(98)	155
Items that will not be reclassified subsequently to income statement:								
Financial assets, at FVOCI [3]	**(264)**	–	–	**(254)**	–	–	36	(810)
Defined benefit plans remeasurements	**6**	(2)	416	**6**	(2)	384	(0)	nm
Own credit	**(6)**	–	–	**(6)**	–	–	–	–
Total other comprehensive income, net of tax	**(661)**	(480)	(38)	**(120)**	(196)	39	(222)	46
Total comprehensive income for the year/period, net of tax	**4,014**	3,816	5	**835**	934	(11)	1,079	(23)
Total comprehensive income attributable to:								
Equity holders of the Bank	**3,911**	3,566	10	**819**	856	(4)	1,031	(21)
Non-controlling interests	**103**	250	(59)	**16**	78	(80)	48	(68)
	4,014	3,816	5	**835**	934	(11)	1,079	(23)

Notes:
1. "@" represents unaudited.
2. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.
3. Fair value through other comprehensive income.

AUDITED BALANCE SHEETS

	GROUP			BANK		
S$ million	31 Dec 2018	31 Dec 2017	30 Sep 2018@	31 Dec 2018	31 Dec 2017	30 Sep 2018@
EQUITY						
Attributable to equity holders of the Bank						
Share capital	**15,750**	15,136	15,761	**15,750**	15,136	15,761
Other equity instruments	**1,497**	499	1,497	**1,497**	499	1,497
Capital reserves	**930**	361	875	**639**	99	587
Fair value reserves	**(66)**	352	19	**(81)**	12	(70)
Revenue reserves	**24,026**	22,680	23,183	**13,491**	13,017	12,630
	42,137	39,028	41,335	**31,296**	28,763	30,405
Non-controlling interests	**1,255**	2,765	1,240	**–**	–	–
Total equity	**43,392**	41,793	42,575	**31,296**	28,763	30,405
LIABILITIES						
Deposits of non-bank customers	**295,412**	283,642	286,686	**183,600**	178,146	177,504
Deposits and balances of banks	**7,576**	7,485	9,141	**6,350**	6,085	6,769
Due to subsidiaries	**–**	–	–	**20,938**	16,301	19,571
Due to associates	**366**	220	305	**142**	103	130
Trading portfolio liabilities	**214**	622	353	**214**	622	353
Derivative payables	**7,105**	6,454	8,607	**5,252**	4,989	6,517
Other liabilities	**5,813**	6,066	6,489	**1,825**	1,855	2,094
Current tax payables	**1,014**	1,107	1,019	**367**	440	340
Deferred tax liabilities	**1,451**	1,516	1,525	**181**	54	168
Debt issued	**30,272**	32,235	32,242	**28,812**	32,498	31,099
	349,223	339,347	346,367	**247,681**	241,093	244,545
Life insurance fund liabilities	**74,928**	71,553	75,173	**–**	–	–
Total liabilities	**424,151**	410,900	421,540	**247,681**	241,093	244,545
Total equity and liabilities	**467,543**	452,693	464,115	**278,977**	269,856	274,950
ASSETS						
Cash and placements with central banks	**18,748**	19,594	15,981	**13,740**	14,355	11,416
Singapore government treasury bills and securities	**9,611**	9,840	9,243	**8,973**	9,089	8,395
Other government treasury bills and securities	**18,165**	17,631	16,445	**8,259**	8,444	8,124
Placements with and loans to banks	**39,035**	49,377	38,054	**29,064**	34,756	28,328
Loans and bills receivable	**255,193**	234,141	253,823	**156,897**	143,516	155,450
Debt and equity securities	**25,542**	24,921	26,371	**11,973**	13,573	13,440
Assets pledged	**1,105**	1,056	2,368	**1,007**	741	1,287
Assets held for sale	**2**	39	2	**–**	2	2
Derivative receivables	**7,201**	6,386	8,643	**5,331**	5,117	6,458
Other assets	**3,475**	3,437	3,511	**1,657**	1,472	1,537
Deferred tax assets	**106**	143	93	**28**	65	28
Associates	**3,183**	2,760	3,067	**1,387**	891	906
Subsidiaries	**–**	–	–	**37,692**	34,824	36,610
Property, plant and equipment	**3,337**	3,332	3,327	**577**	614	575
Investment property	**880**	949	890	**525**	530	527
Goodwill and intangible assets	**5,093**	5,160	5,120	**1,867**	1,867	1,867
	390,676	378,766	386,938	**278,977**	269,856	274,950
Life insurance fund investment assets	**76,867**	73,927	77,177	**–**	–	–
Total assets	**467,543**	452,693	464,115	**278,977**	269,856	274,950
Net asset value (before valuation surplus) per ordinary share – S$@	**9.56**	8.96	9.37	**7.01**	6.51	6.80
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	**11,964**	10,504	12,379	**8,565**	7,283	8,756
Commitments	**143,783**	130,383	142,118	**85,665**	80,501	84,852
Derivative financial instruments	**1,040,759**	919,224	1,064,984	**867,445**	754,752	880,611

Notes:
1. "@" represents unaudited.
2. Comparative figures have been restated with the adoption of SFRS(I) and GEH accounting policy change.

AUDITED STATEMENT OF CHANGES IN EQUITY – GROUP

For the financial year ended 31 December 2018

	Attributable to equity holders of the Bank						
S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	**15,635**	**361**	**352**	**22,680**	**39,028**	**2,765**	**41,793**
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	**–**	**354**	**(101)**	**(13)**	**240**	**0**	**240**
Adjusted balance at 1 January 2018	**15,635**	**715**	**251**	**22,667**	**39,268**	**2,765**	**42,033**
Total comprehensive income for the year	**–**	**–**	**(338)**	**4,249**	**3,911**	**103**	**4,014**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	**14**	**208**	**–**	**(222)**	**–**	**–**	**–**
Dividends and distribution	**–**	**–**	**–**	**(1,015)**	**(1,015)**	**(116)**	**(1,131)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**7**	**7**	**–**	**7**
Perpetual capital securities issued	**998**	**–**	**–**	**–**	**998**	**–**	**998**
Redemption of preference shares issued	**–**	**–**	**–**	**(1,000)**	**(1,000)**	**(1,500)**	**(2,500)**
Share-based staff costs capitalised	**–**	**20**	**–**	**–**	**20**	**–**	**20**
Share buyback held in treasury	**(215)**	**–**	**–**	**–**	**(215)**	**–**	**(215)**
Shares issued in lieu of ordinary dividends	**638**	**–**	**–**	**(638)**	**–**	**–**	**–**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Shares transferred to DSP Trust	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Shares vested under DSP Scheme	**–**	**63**	**–**	**–**	**63**	**–**	**63**
Treasury shares transferred/sold	**176**	**(70)**	**–**	**–**	**106**	**–**	**106**
Others	**–**	**–**	**21**	**(25)**	**(4)**	**3**	**(1)**
Total contributions by and distributions to owners	**1,612**	**215**	**21**	**(2,893)**	**(1,045)**	**(1,613)**	**(2,658)**
Changes in interests in subsidiaries that do not result in loss of control							
Changes in interests	**–**	**–**	**–**	**3**	**3**	**(0)**	**3**
Total changes in interests in subsidiaries	**–**	**–**	**–**	**3**	**3**	**(0)**	**3**
Balance at 31 December 2018	**17,247**	**930**	**(66)**	**24,026**	**42,137**	**1,255**	**43,392**
Included in the balances:							
Share of reserves of associates	**–**	**–**	**25**	**1,167**	**1,192**	**–**	**1,192**
Balance at 1 January 2017	15,606	572	287	20,556	37,021	2,632	39,653
Total comprehensive income for the year	–	–	65	3,501	3,566	250	3,816
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	21	(215)	–	194	–	–	–
Dividends and distribution	–	–	–	(1,570)	(1,570)	(107)	(1,677)
DSP reserve from dividends on unvested shares	–	–	–	6	6	–	6
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 interests in subsidiaries that do not result in loss of control							
Changes in interests	–	–	0	(7)	(7)	(10)	(17)
Total changes in interests in subsidiaries	–	–	0	(7)	(7)	(10)	(17)
Balance at 31 December 2017	15,635	361	352	22,680	39,028	2,765	41,793
Included in the balances:							
Share of reserves of associates	–	–	(75)	850	775	–	775

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 three months ended 31 December 2018

	Attributable to equity holders of the Bank						
S$ million	**Share capital and other equity**	**Capital reserves**	**Fair value reserves**	**Revenue reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 October 2018	**17,258**	**875**	**19**	**23,183**	**41,335**	**1,240**	**42,575**
Total comprehensive income for the period	**–**	**–**	**(85)**	**904**	**819**	**16**	**835**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	**14**	**52**	**–**	**(66)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**4**	**4**	**–**	**4**
Share-based staff costs capitalised	**–**	**5**	**–**	**–**	**5**	**–**	**5**
Share buyback held in treasury	**(26)**	**–**	**–**	**–**	**(26)**	**–**	**(26)**
Shares issued in lieu of ordinary dividends	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Shares transferred to DSP Trust	**–**	**(3)**	**–**	**–**	**(3)**	**–**	**(3)**
Shares vested under DSP Scheme	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Treasury shares transferred/sold	**2**	**–**	**–**	**–**	**2**	**–**	**2**
Total contributions by and distributions to owners	**(11)**	**55**	**–**	**(62)**	**(18)**	**–**	**(18)**
Changes in interests in subsidiaries that do not result in loss of control							
Changes in interests	**–**	**–**	**–**	**1**	**1**	**(1)**	**(0)**
Total changes in interests in subsidiaries	**–**	**–**	**–**	**1**	**1**	**(1)**	**(0)**
Balance at 31 December 2018	**17,247**	**930**	**(66)**	**24,026**	**42,137**	**1,255**	**43,392**
Included in the balances:							
Share of reserves of associates	**–**	**–**	**25**	**1,167**	**1,192**	**–**	**1,192**
Balance at 1 October 2017	15,653	322	492	21,762	38,229	2,687	40,916
Total comprehensive income for the period	–	–	(140)	996	856	78	934
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	21	36	–	(57)	–	–	–
Dividends	–	–	–	(23)	(23)	–	(23)
DSP reserve from dividends on unvested shares	–	–	–	1	1	–	1
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 interests in subsidiaries that do not result in loss of control							
Changes in interests	–	–	–	1	1	0	1
Total changes in interests in subsidiaries	–	–	–	1	1	0	1
Balance at 31 December 2017	15,635	361	352	22,680	39,028	2,765	41,793
Included in the balances:							
Share of reserves of associates	–	–	(75)	850	775	–	775

Note:

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

AUDITED STATEMENT OF CHANGES IN EQUITY – BANK

For the financial year ended 31 December 2018

S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2018	**15,635**	**99**	**12**	**13,017**	**28,763**
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	**–**	**122**	**28**	**(114)**	**36**
Adjusted balance at 1 January 2018	**15,635**	**221**	**40**	**12,903**	**28,799**
Total comprehensive income for the year	**–**	**–**	**(121)**	**3,646**	**3,525**
Transfers	**14**	**398**	**–**	**(412)**	**–**
Dividends and distribution	**–**	**–**	**–**	**(1,015)**	**(1,015)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**7**	**7**
Perpetual capital securities issued	**998**	**–**	**–**	**–**	**998**
Redemption of preference shares issued	**–**	**–**	**–**	**(1,000)**	**(1,000)**
Share-based staff costs capitalised	**–**	**20**	**–**	**–**	**20**
Share buyback held in treasury	**(215)**	**–**	**–**	**–**	**(215)**
Shares issued in-lieu of ordinary dividends	**638**	**–**	**–**	**(638)**	**–**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**
Treasury shares transferred/sold	**176**	**–**	**–**	**–**	**176**
Balance at 31 December 2018	**17,247**	**639**	**(81)**	**13,491**	**31,296**
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)	–	–	–
Dividends and distribution	–	–	–	(1,570)	(1,570)
DSP reserve from dividends on unvested shares	–	–	–	6	6
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

For the three months ended 31 December 2018 (Unaudited)

S$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 October 2018	**17,258**	**587**	**(70)**	**12,630**	**30,405**
Total comprehensive income for the period	**–**	**–**	**(11)**	**918**	**907**
Transfers	**14**	**47**	**–**	**(61)**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**4**	**4**
Share-based staff costs capitalised	**–**	**5**	**–**	**–**	**5**
Share buyback held in treasury	**(26)**	**–**	**–**	**–**	**(26)**
Shares issued in-lieu of ordinary dividends	**(1)**	**–**	**–**	**–**	**(1)**
Treasury shares transferred/sold	**2**	**–**	**–**	**–**	**2**
Balance at 31 December 2018	**17,247**	**639**	**(81)**	**13,491**	**31,296**
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)	–	–	–
Dividends	–	–	–	(23)	(23)
DSP reserve from dividends on unvested shares	–	–	–	1	1
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

Note:
1. Comparative figures have been restated with the adoption of SFRS(I).

AUDITED CONSOLIDATED CASH FLOW STATEMENT
For the financial year ended 31 December 2018

S$ million	2018	2017	4Q18@	4Q17@
Cash flows from operating activities				
Profit before income tax	**5,552**	5,099	**1,126**	1,387
Adjustments for non-cash items:				
Amortisation of intangible assets	**102**	104	**26**	26
Allowances for loans and other assets	**288**	671	**205**	178
Change in hedging transactions, trading, fair value through profit or loss securities and debt issued	**392**	30	**144**	16
Depreciation of property, plant and equipment and investment property	**317**	315	**80**	81
Net gain on disposal of property, plant and equipment and investment property	**(46)**	(57)	**(6)**	(1)
Net gain on disposal of government, debt and equity securities	**(16)**	(431)	**(2)**	(249)
Net gain on disposal of interests in subsidiaries and associates	**(8)**	(34)	**(3)**	(21)
Share-based costs	**65**	55	**18**	14
Share of results of associates	**(455)**	(389)	**(85)**	(28)
Items relating to life insurance fund				
Surplus before income tax	**791**	1,253	**217**	393
Surplus transferred from life insurance fund	**(740)**	(767)	**(199)**	(270)
Operating profit before change in operating assets and liabilities	**6,242**	5,849	**1,521**	1,526
Change in operating assets and liabilities:				
Deposits of non-bank customers	**11,916**	19,702	**8,787**	12,891
Deposits and balances of banks	**91**	(3,254)	**(1,565)**	(4,154)
Derivative payables and other liabilities	**453**	(2,067)	**(2,090)**	(169)
Trading portfolio liabilities	**(408)**	24	**(139)**	64
Government securities and treasury bills	**(345)**	(3,051)	**(1,377)**	308
Restricted balances with central banks	**395**	(377)	**(124)**	(153)
Trading and fair value through profit or loss securities	**587**	(562)	**253**	(52)
Placements with and loans to banks	**10,412**	(9,223)	**(826)**	(2,300)
Loans and bills receivable	**(20,807)**	(15,917)	**(1,420)**	(3,332)
Derivative receivables and other assets	**(1,161)**	2,141	**1,124**	496
Net change in investment assets and liabilities of life insurance fund	**449**	(754)	**466**	(871)
Cash from/(used in) operating activities	**7,824**	(7,489)	**4,610**	4,254
Income tax paid	**(1,085)**	(681)	**(404)**	(198)
Net cash from/(used in) operating activities	**6,739**	(8,170)	**4,206**	4,056
Cash flows from investing activities				
Dividends from associates	**88**	63	**7**	6
Investments in associates	**(88)**	(364)	**(26)**	(407)
Acquisitions, net of cash acquired	**–**	396	**–**	396
Purchases of debt and equity securities	**(13,971)**	(20,900)	**(2,214)**	(5,045)
Purchases of property, plant and equipment and investment property	**(297)**	(263)	**(101)**	(89)
Proceeds from disposal of debt and equity securities	**11,941**	20,084	**2,844**	5,869
Proceeds from disposal of interests in subsidiaries and associates	**9**	62	**1**	4
Proceeds from disposal of property, plant and equipment and investment property	**60**	94	**8**	5
Net cash (used in)/from investing activities	**(2,258)**	(828)	**519**	739
Cash flows from financing activities				
Acquisition of non-controlling interests	**(0)**	(17)	**(0)**	–
Dividends and distribution paid	**(1,135)**	(1,674)	**(200)**	(20)
Redemption of preference shares issued	**(2,500)**	–	**–**	–
Redemption of subordinated debt issued	**(1,314)**	(1,521)	**–**	(681)
Net (redemption)/issuance of other debt issued	**(634)**	15,243	**(1,875)**	955
Net proceeds from issue of perpetual capital securities	**998**	–	**–**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**106**	178	**2**	17
Share buyback held in treasury	**(215)**	(224)	**(26)**	(56)
Net cash (used in)/from financing activities	**(4,694)**	11,985	**(2,099)**	215
Net currency translation adjustments	**(236)**	(329)	**18**	2
Net change in cash and cash equivalents	**(449)**	2,658	**2,644**	5,012
Cash and cash equivalents at beginning of year/period	**13,835**	11,177	**10,742**	8,823
Cash and cash equivalents at end of year/period	**13,386**	13,835	**13,386**	13,835

Notes:
1. "@" represents unaudited.
2. 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:

	Financial year ended 31 Dec		Three months ended 31 Dec	
Number of Shares	**2018**	**2017**	**2018**	**2017**
Issued ordinary shares				
Balance at beginning of year/period	**4,193,784,461**	4,193,729,363	**4,193,837,129**	4,193,784,461
Shares issued to non-executive directors	**52,668**	55,098	**–**	–
Shares issued pursuant to Scrip Dividend Scheme	**62,933,078**	–	**62,933,078**	–
Balance at end of year/period	**4,256,770,207**	4,193,784,461	**4,256,770,207**	4,193,784,461
Treasury shares				
Balance at beginning of year/period	**(7,070,767)**	(11,022,010)	**(4,655,504)**	(4,276,716)
Share buyback	**(17,225,000)**	(20,560,000)	**(2,300,000)**	(4,600,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	**4,552,500**	13,133,024	**136,531**	1,538,213
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	**7,635,418**	6,302,173	**80,033**	267,736
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	**5,321,926**	5,075,828	–	–
Shares sold for cash	**46,983**	218	–	–
Balance at end of year/period	**(6,738,940)**	(7,070,767)	**(6,738,940)**	(7,070,767)
Total	**4,250,031,267**	4,186,713,694	**4,250,031,267**	4,186,713,694

Pursuant to the share purchase mandate approved at the annual general meeting held on 30 April 2018, the Bank purchased a total of 2,300,000 ordinary shares in the fourth quarter ended 31 December 2018. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S$10.70 to S$11.59 per share and the total consideration paid was S$25,702,547 (including transaction costs).

From 1 October 2018 to 31 December 2018 (both dates inclusive), the Bank utilised 136,531 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 2018, the number of options outstanding under the OCBC SOS 2001 was 38,622,528 (31 December 2017: 36,584,962).

From 1 October 2018 to 31 December 2018 (both dates inclusive), the Bank utilised 80,033 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 2018, the number of acquisition rights outstanding under the OCBC ESPP was 13,371,082 (31 December 2017: 14,584,083).

62,933,078 ordinary shares were issued on 8 October 2018 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the interim one-tier tax exempt dividend of 20 cents per ordinary share in the capital of OCBC Bank for the financial year ending 31 December 2018.

No new preference shares were allotted and issued by the Bank in the fourth quarter ended 31 December 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. Pursuant to Rule 704(13) of the Listing Manual, for the financial year ended 31 December 2018, 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 21 February 2019, on the financial statements of Oversea-Chinese Banking Corporation Limited and its subsidiaries for the year ended 31 December 2018, 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 2018, 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 17 to 171.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) 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 2018 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 30 to the financial statements.)

The key audit matter	*How the matter was addressed in our audit*
At 31 December 2018, the Group's loans and bills receivable comprised 55% of Total Assets. SFRS(I) 9 "Financial Instruments", effective 1 January 2018, introduces the expected credit loss (ECL) impairment model. ECL applies to financial assets measured at amortised cost, amongst others. The Group had developed quantitative models to determine the ECL allowances for credit exposures. Significant judgement is applied in developing the models and in determining the relevant inputs and applicable assumptions. In respect of non-credit impaired exposures, significant judgement and assumptions are required in areas including: • Development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio; • Selection of criteria to determine whether a credit exposure has exhibited "significant increase in credit risk", thus requiring lifetime ECL allowance; and • Determination of relevant macroeconomic factors to incorporate into the models. In respect of credit-impaired exposures, management judgement and estimation are applied in (i) identifying impaired exposures; (ii) estimating the related recoverable amounts; and (iii) where applicable, determining collateral values and timing of expected cash flows. Macroeconomic policies and geopolitical events during 2018 introduced added complexity to the estimation of ECL allowances. The consequence of policy changes and geopolitical tensions are inherently difficult to predict and the impact is therefore difficult to model or quantify.	*Non-credit impaired exposures* We tested the design, implementation and operating effectiveness of key controls surrounding the determination of ECL allowances. We involved our Information Technology (IT) specialists to test the (i) general IT controls over the ECL system, including user-acceptance-testing (UAT), access rights and change management controls, and (ii) specific IT controls over the accuracy and integrity of the data interface between the source systems and the ECL system. In order to ascertain the accuracy of key inputs into the ECL models, we checked a sample of exposures against source systems. We assessed the reasonableness of the criteria used for determining a "significant increase in credit risk". We involved our valuation specialists in the following areas: • review the robustness of the Group's model validation framework and the methodology applied, including the model performance testing conducted by the Group's model validation team; • assess the Group's ECL modelling methodology for a sample of key portfolios against the requirements of SFRS(I) 9; • apply statistical techniques on a sample of PD curves to assess the reasonableness of their calibration; • perform back-testing of LGD over key portfolios using actual loss experience; and • in respect of forward looking assumptions, review the appropriateness of management's macroeconomic forecast assumptions, including reasonableness of the regression analysis performed by the Group on the macroeconomic factors applied in the ECL models.

As a result of the significance of loans and bills receivable and the related estimation uncertainty over ECL allowances, the impairment of loans and bills receivable is considered a key audit matter.	We also assessed the reasonableness of the probability weighting of the economic scenarios applied. For a sample of credit exposures, we independently re-calculated the ECL allowance to test the mathematical accuracy of the modelled calculations produced by the ECL system. *Credit-impaired exposures* We tested the design, implementation and operating effectiveness of the key controls in place over credit grading, credit reviews and monitoring of credit-impaired exposures. In relation to key economic and geopolitical triggers, we assessed the Group's response in identifying credit-impaired exposures. For a sample of exposures, we performed credit file reviews to test the appropriateness of credit grading. On a sample of credit-impaired exposures, we challenged the Group's assumptions of the expected future cash inflows, including cash flows from operations, the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and other externally derived evidence. We found that the ECL allowances were within an acceptable range of estimates.

KPMG

Valuation of financial instruments held at fair value
(Refer to Notes 18, 22, 24, 25, 29 and 41 to the financial statements.)

The key audit matter	*How the matter was addressed in our audit*
The Group's financial instruments held at fair value comprised mainly debt and equity securities, government treasury bills and securities, and derivative contracts. Of the financial instruments carried at fair value in the Group's balance sheet as at 31 December 2018, the significant majority qualified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in financial markets or estimated based on financial models using market observable inputs, resulting in a lower valuation risk. The remaining financial instruments classified as Level 3 comprised mainly unlisted debt and equity investments and derivatives. The valuation of these instruments may involve complex models and the application of unobservable inputs, such as cash flow forecasts, discount rates and measures of volatility. The valuation of Level 3 financial instruments therefore typically requires a higher level of management judgement and the application of assumptions. As such, there is a greater degree of estimation uncertainty in the determination of the fair value of these instruments. The valuation of financial instruments held at fair value is considered a key audit matter in view of the management judgement and inherent subjectivity, increasing the risk of material misstatement of the Group's financial statements.	We obtained an understanding of the control environment and internal controls over the measurement of financial instruments at their fair values. We tested the operating effectiveness of the following key controls: • General IT controls over key valuation systems, including access rights and change management controls; • Specific IT controls, in particular, over the capture of complete and accurate external market data within the Group's valuation systems and the interface between transaction processing systems, valuation systems and financial reporting systems; • Controls over governance of valuation models, including model validation; and • Controls over independent price verification and month-end valuation adjustments. We reviewed a sample of the Group's financial instruments valuation models, evaluating the reasonableness of the modelling methodology, the inputs and assumptions being used. For a selection of pricing inputs, we checked that the inputs used were appropriately sourced (by comparing to independent market data) and accurately input into the valuation models and systems. We priced a sample of the Group's financial instruments held at fair value independently and compared the values to the Group's valuations. Additionally, we recalculated a sample of valuation adjustments as at year-end. For a sample of Level 3 instruments, we challenged 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 financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were appropriate. We found that the fair values of the Group's financial instruments were within an acceptable range of estimates.

KPMG

Valuation of insurance contract liabilities (Refer to Notes 4, 22, 39 and 41 to the financial statements.)	
The key audit matter	*How the matter was addressed in our audit*
The Group's insurance operations are conducted entirely 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. As changes in the assumptions used in the valuation of insurance contract liabilities could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement, the valuation of insurance contract liabilities is considered a key audit matter.	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 insurance contract liabilities. We reviewed GEH's auditors' work performed in relation to the design and operating effectiveness of GEH's controls over the valuation of insurance contract liabilities, including the determination and approval of actuarial assumptions. We involved our actuarial specialists in our discussions with GEH's auditors and in the following areas: • assess that GEH's auditors challenged management's methodologies and assumptions used in the valuation of insurance contract liabilities; and • assess the appropriateness of the methodologies, models and assumptions used against regulatory requirements and industry practices. 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 in the valuation of insurance contract liabilities were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.

KPMG

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 2018, 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 management judgement in application of methodologies and assumptions. In respect of goodwill of banking CGUs amounting to $4.0 billion, the value-in-use method was used to determine the recoverable amount. In this aspect, significant judgement and key assumptions include: • Methodology and inputs used to calculate the appropriate discount rate; • Determination of the terminal growth rate; and • Projections of the future cash flows. 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 include: • Risk-adjusted discount rates; and • Investment return rates. As a result of the significance of the goodwill amount and the judgement and subjectivity involved in estimating the recoverable amounts, the impairment of goodwill is considered a key audit matter.	We assessed the appropriateness of management's identification of the Group's CGUs and whether it reflects our understanding of the business and its operations. *Banking CGUs* We assessed management's future cash flow projections for consistency with operating plans and back-tested prior year's cash flow forecasts against historical cash flows. We involved our valuation specialists to assess the methodologies applied and assumptions used for deriving: • discount rate by independently estimating the discount rate using external data sources for risk free rates, beta, market risk premium, country risk premium and small capitalisation premium; and • terminal growth rate by comparing the rates to market data and inflation rates based on the CGU's country of operation. We performed sensitivity analysis on the future cash flows, discount rates and terminal growth rates. *Insurance CGU* We involved our actuarial specialists to assess the reasonableness of management's significant assumptions including discount rates and investment returns rates used in the estimation of appraisal value. We performed sensitivity analysis on the impact of change in key assumptions. Based on our procedures performed, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.

KPMG

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 auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the information captioned Message from Chairman and CEO, Our Well-Diversified Business, 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 SFRS(I)s, 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 financial statements and to maintain accountability of assets.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal controls 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 controls.

- 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 controls 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
21 February 2019