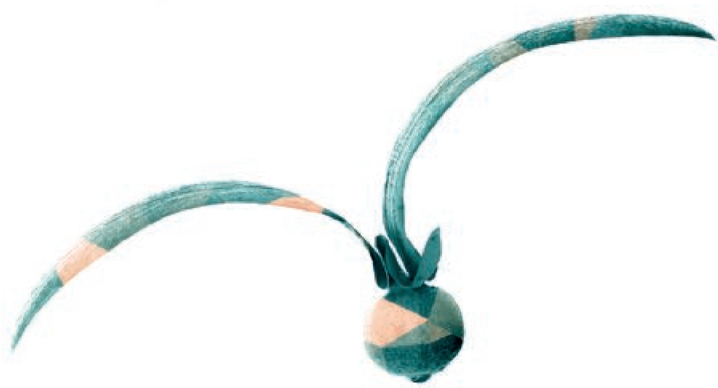
OCBC Bank

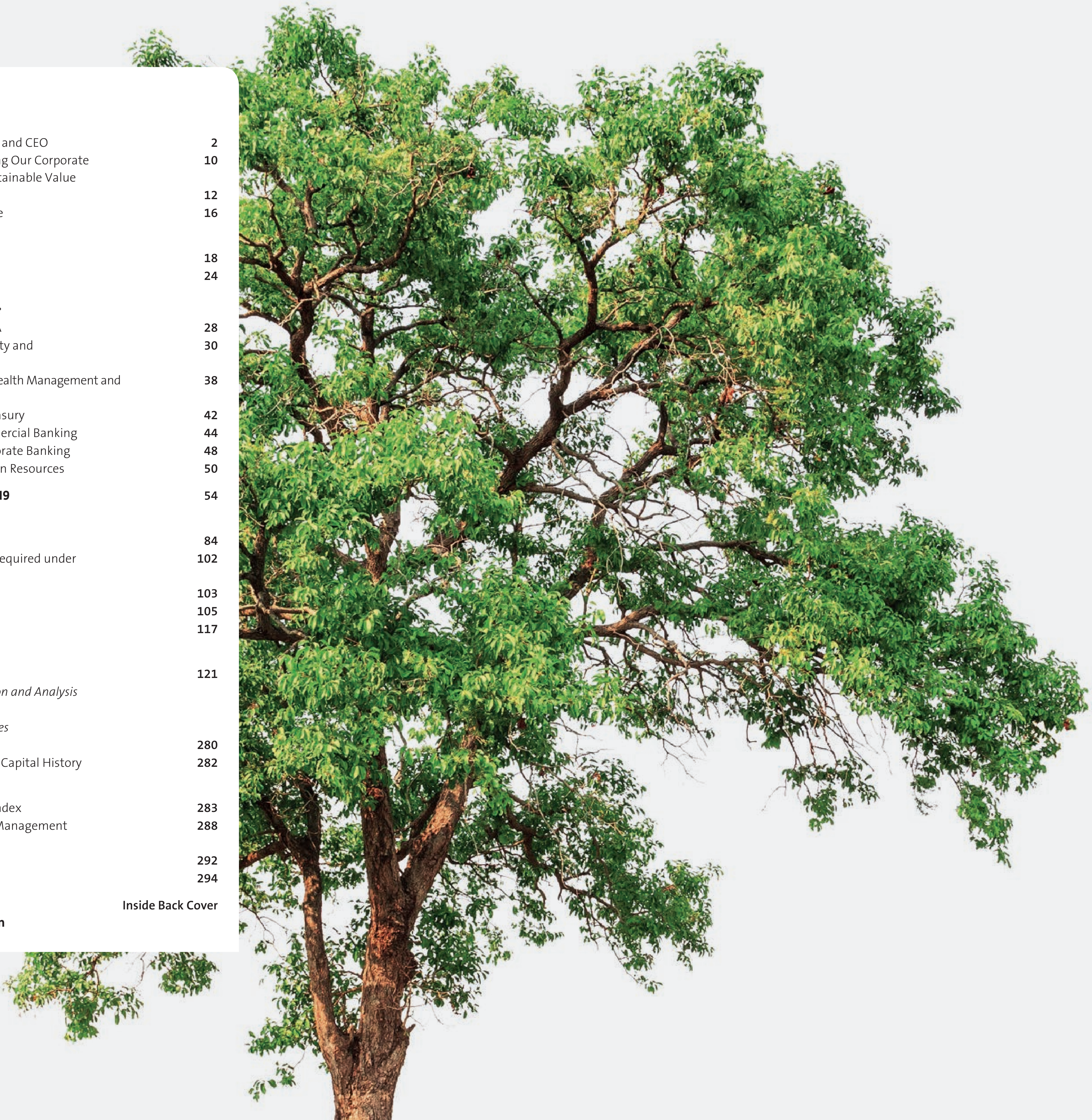


Do Well
Do Good

Creating Sustainable Value for our Shareholders, Customers, Employees, Community and our Environment

Annual Report 2019

Contents



Do Well Do Good

What is featured on the cover this year are fruits of the *Dipterocarp Condorensis* tree. Wings on the fruit help to spread the seeds further away from the parent tree to ensure its survival.

These endangered trees are the 'green lungs' of Asia and are super-storers of carbon dioxide – which is known as the biggest climate changer.

We have planted a forest of 2,000 Dipterocarps at the OCBC Arboretum located at the Singapore Botanic Gardens. This conservation project is an important component of OCBC's commitment to fighting climate change in a world where carbon emissions are the biggest threat to mankind. These trees will store as much as 80 million kg of CO_2 in their lifetimes. The ground-breaking research done at the OCBC Arboretum will contribute to forestation projects in the future and further CO_2 storage.

As a bank, we have been at the forefront of various efforts that support the environment. Our engagement includes increasing support for renewable energy projects and funding ground-up climate change solutions as we move towards a low-carbon economy. Please refer to pages 30, 48 and 54 for details of the work we have done.

The impact of climate change will be far-reaching and we must all do our part for the planet we live in.

Tomorrow's ours to save.

Message from Chairman and CEO

"Do Well and Do Good" – this succinctly encapsulates our values of *doing well* to deliver consistent and sustainable business performance and *doing good* by employing fair and socially-responsible business practices.

From left
Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ooi Sang Kuang
Chairman

DOING WELL FOR THE LONG TERM

Dear Shareholders,

The Board places utmost importance on its stewardship role as the guardian of the interests of OCBC's stakeholders. OCBC has continued to deliver long-term shareholder value through our diversified franchise and business model, solid balance sheet, strong risk culture and ethical business practices. In 2019, the Board and Management maintained a sharp focus on the fast-evolving risk profile arising from the deterioration in the global macro environment and trade war between the United States and China. The heightened geopolitical tension between the United States and China, and the challenges posed by the retreat of the multilateral rules-based institutional agreements which had successfully governed global trade, finance and economic engagements over the past decades, will significantly alter the operating environment for businesses and financial institutions in the years ahead. The rapidly-changing financial landscape, advances in the application of digital technology and the attendant cyber security risks, together with the entry of global e-commerce platform and Fintech companies offering financial services, require us to strengthen our fundamentals and resiliency. Yet these developments also mean that we must be highly adaptable and responsive to the new demands and competition. They also underpin the need for us to continuously lay stronger strategic foundations for OCBC, anchored on financial strength, ethical business practices, robust risk management, a broad spectrum of product offerings and a talented workforce. The Board's agenda during the year was thus deeply focused on fortifying, deepening and growing our diversified franchise while ensuring we have the flexibility and capacity to capture new business opportunities as they arise.

In 2019, OCBC reported another year of record net profit and we are pleased to reward shareholders with a higher dividend of 53 cents per share.

		2019	2018
Core Net Profit [1] [S$ billion]	10% ▲	4.96	4.49
Core Return on Equity [1] [%]	0.1 percentage points ▼	11.4	11.5
Customer Loans [S$ billion]	3% ▲	265	258
Customer Deposits [S$ billion]	3% ▲	303	295
Core Earnings Per Share [1] [S$]	8% ▲	1.14	1.06
Dividend Per Share [cents]	23% ▲	53	43
Non-Performing Loans Ratio [%]	0.04 percentage points ▼	1.45	1.49
Common Equity Tier 1 Capital Adequacy Ratio [%]	0.9 percentage points ▲	14.9	14.0

(1) *Excluding a one-time item.*

Delivering Strong Results
2019 was a challenging year. Global economic growth slowed as we entered 2019. It was weighed down further during the course of the year by the escalating trade conflict between the United States and China, disputes between the United States and its trading partners in Europe, the uncertain outcome of Britain's exit from the European Union, social unrest in Hong Kong and instability in the Middle East. The re-ordering of the well-established international trading system and disruption to the global supply chain led to a sharp slowdown in trade, erosion of consumer confidence and postponement of investment. The result was growth of global GDP of 2.9% and global trade of 1.2%, the slowest recorded in a decade. The rapid weakening of global economic conditions prompted the US Federal Reserve to pivot towards monetary accommodation with three successive reductions in interest rates in the second half of 2019. Many Asian central banks followed suit. Global equities responded positively to the interest rate cuts and delivered stellar performances in the second half of the year. The banking sector, however, was negatively impacted by the narrowing interest margins, and the weaker operating environment added further pressure on loan growth and asset quality.

Despite the challenging environment, OCBC maintained its solid track record of delivering sustainable earnings through economic cycles. Our diversified franchise across businesses and geographies, deep presence in our core Asian markets which is linked globally to our highly-connected network of international branches, and sound strategic positioning have allowed us to deliver another consecutive year of record earnings.

For 2019, the Group's net profit rose 8% to a record S$4.87 billion, driven by robust performances across our banking, wealth management and insurance businesses. We further strengthened our capital, funding and liquidity base and enhanced our prudent risk management practices. The loan portfolio quality remained sound and non-performing assets were lower year-on-year. We accelerated our digital transformation journey to enhance customer engagement and achieve greater operational efficiency, and augmented our system of robust defences and controls to address cyber security threats. Further investments were made to upskill and reskill our talented employees to be future-ready. We deepened our culture of ethical conduct and refreshed OCBC's corporate core values to firmly emphasise the importance of honesty and integrity in the conduct of our business. These achievements underpinned our resiliency and reinforced the strong foundation we have laid – the critical building blocks for our long-term sustainability.

Message from Chairman and CEO

Best Managed Bank in Singapore
awarded by The Asian Banker

Best Bank in Asia Pacific
awarded by Global Finance

Best Managed Board (Gold)
awarded by Singapore Corporate Awards

World's Best Consumer Bank
awarded by Global Finance

Best Bank for SMEs in Singapore and Indonesia
awarded by Asiamoney
(OCBC Bank and OCBC NISP)

ASEAN SME Bank of the Year
awarded by Asian Banking & Finance

SME Bank of the Year in Indonesia
awarded by Asian Banking & Finance
(OCBC NISP)

Sustainable and Progressive Returns to Shareholders

Our capital position strengthened further with the Common Equity Tier 1 capital adequacy ratio rising to 14.9% at year end, providing a comfortable buffer to insulate us against cyclical economic downturns, while also positioning the Group to leverage on market opportunities. We achieved a core return on equity of 11.4% for the year and core earnings per share were 8% higher at S$1.14. These healthy fundamentals have allowed us to return higher dividends to our shareholders, which are sustainable and progressive, and consistent with our long-term growth. The Board is pleased to recommend, subject to shareholders' approval at the 2020 Annual General Meeting, a final tax-exempt dividend of 28 cents per share. This will bring the total dividend for 2019 to 53 cents per share, a 23% rise from 43 cents in 2018, and translates into a higher dividend payout ratio of 47% against 2019's core earnings as compared to 40% a year ago.

Upholding Ethical and Professional Conduct

The Board is committed to achieving the highest standards of ethical and professional conduct, and we recognise the importance of setting the tone from the top to shape the culture of the Group.

In 2019, we established a Board Ethics and Conduct Committee to provide direct oversight of policies and guidelines that inculcate a deep-seated culture of responsible banking and fair dealing, which are the cornerstones of the OCBC brand. This is of particular importance today, at a time when banks must live up to the expectations of society that we responsibly apply the highest levels of ethical practices in the daily conduct of business. We believe a strong performance culture should be closely aligned to the Group's values as they form the basis of trust and sustainable long-term customer relationships.

During the year, we refreshed our corporate core values, dubbed "LIFRR", which stand for Lasting Value, Integrity, Forward-Looking, Respect and Responsibility. These values clearly articulate how we must take responsibility for our work, respect our stakeholders, honour our promises to them and always act in their best interests. At the same time, we must also be forward looking in how we provide value-added solutions and advice to our customers. Our corporate core values

Chairman Ooi Sang Kuang (second from right) accepted the Best Managed Board (Gold) award from Deputy Prime Minister and Finance Minister Heng Swee Keat.

allow us to deliver on our Brand Promise, pledging to be 'Simply Spot On' for our customers, which entails listening to them, truly understanding them, and introducing the most appropriate solutions to meet their needs. To uphold our Brand Promise, we nurture our employees to consistently conduct themselves according to the highest standards of ethics and integrity throughout the course of their work. The fact that we received the most number of customer service excellence awards in the industry in 2019 testifies to how deeply our values are practised in our day-to-day interaction with customers.

A Digitally-Empowered Bank

We are a digitally-empowered bank, focused on redefining the banking experience for our customers and driving bank-wide transformation. The operating environment is rapidly advancing towards a knowledge-driven and highly-connected society led by digital innovations and applications. Digital technology and its creative applications have spread across all facets of social and economic activities, and they redefine how people interact, change the way businesses are conducted and remodel the manner entire industries are organised. The liberalisation of the banking sector and competition from a broader spectrum of new digital and

Service Excellence Champion Award
for three consecutive years awarded by Association of Banks in Singapore (ABS)

Highest Number of Excellent Service Awards (EXSA) winners and EXSA Star Award winners
across all financial institutions in Singapore awarded by ABS

Message from Chairman and CEO

Honorary Mention Award for the Best Transformation Project under 90 Days
awarded by Global OPEX Awards

Best Digital Banking Initiative – Instant Approval and Use of Banking Products
awarded by The Digital Banker's Global Retail Banking Innovation Awards 2019

Best Internet Banking Initiative
awarded by The Digital Banker's Global Retail Banking Innovation Awards 2019

Best Self Service Banking and ATM Innovation – Smart ATMs and Service Kiosks
awarded by The Digital Banker's Global Retail Banking Innovation Awards 2019

virtual service providers will dramatically reshape the whole financial landscape. At OCBC, we recognise the importance of strengthening our digital foundation to ensure long-term sustainability and growth of our banking franchise in the face of fast and intense change brought about by digital competitors and technological applications in finance. We continuously innovate our business model to productively engage our customers as a reliable and trusted partner. We use digital technology to drive sustainable growth and enhance risk management and compliance systems across the organisation. Our employees play a vital role in our digital transformation. Thus, we have rolled out programmes to constantly reskill and upskill our employees to be digitally savvy and versatile to assume new roles.

Digital Innovation to Maximise Customer Experience

This year saw sustained momentum from our digitalisation initiatives across the entire organisation to provide customers with innovative and seamless solutions to assist them to achieve their financial goals across all stages of their life journey with us. We launched a wide spectrum of digitally-enabled products for our retail and corporate customers with many first-in-markets. Today, close to 8 in 10 of our digital Consumer customers bank on their mobile devices and nearly two-thirds of our SME and Corporate customers perform their transactions on our digital platform; overall, more than 90% of our total volume of financial transactions in Singapore were performed digitally. Our dedication to always putting the customer first has been recognised with many awards accorded to us, including World's Best Consumer Bank by Global Finance.

Digital Transformation for Greater Efficiency and Productivity

The success of our digital transformation comes from our efforts to enhance our digital capabilities across the whole organisation. We built data science and data lake platforms, and deployed solutions supported by Artificial Intelligence (AI) across our wealth advisory, risk management, cyber security and compliance units. Our core technology architecture has also been redefined, led by a shift from a monolithic infrastructure to a more nimble microservices platform. We employed Robotic Process Automation to raise productivity across functions, increased the number of Cloud applications across the Group and collaborated with more than 30 major API partners. The Open Vault at OCBC (our Fintech unit) and AI Lab continue to drive our digital journey and serve as launchpads for our innovative solutions.

Maximising the Potential of Our Employees

Talent management is an agenda deeply embraced by the Board and Management. Our philosophy is that employees must be given every opportunity to develop and realise their full potential. Our goal towards a customer-centric, innovative and digital organisation can only succeed if it is driven by a highly-engaged, empowered and diverse workforce. We continued to invest in our learning ecosystem that encourages lifelong learning and being future ready in the new digital age. We are pleased that our efforts and commitment to be an employer of choice have been constantly recognised through the many industry awards conferred on us.

Digitally Powered

33% growth
in mobile transactions in the last year

9 in 10
new SME business accounts are opened digitally

7x growth
in financial transactions performed digitally compared to 7 years ago

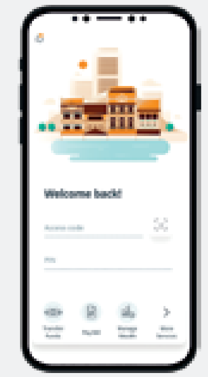
1st
in Singapore to enable cash withdrawals using QR codes at ATMs

DOING GOOD FOR A SUSTAINABLE FUTURE

The financial system is the lynchpin of the real economy and society. As a responsible financial institution, we act as a catalyst to influence change. We attach great importance to contributing towards a more sustainable future for our community. We made great strides in progressing our sustainability agenda in 2019, ensuring that sustainable and responsible practices are embedded deeply and widely into the core of our business and practices.

Responsible Financing

As a financial institution, we are in an advantageous position to positively influence our customers. We thus design our business practices to achieve positive outcomes for society and the environment. We support the UN's Sustainable Development Goals, and ensured that sustainable business practices are embedded across all our operations. We continued to make good progress in addressing the environmental challenges facing the planet and the increasingly urgent agenda of climate change. We have rolled out numerous initiatives to ensure sound Environmental, Social and Governance (ESG) practices are in place. OCBC was the first bank in Southeast Asia to announce that it would stop financing new coal-fired power plants, and redirect our focus on financing the development of renewable energy projects. By the end of 2019, our sustainable finance assets totalled more than S$8 billion, with close to S$4 billion in 2019 alone, including clean and renewable energy projects using solar and wind. These bring us very close to achieving – and likely exceeding – our declared intention to build a sustainable finance portfolio of S$10 billion by 2022. Our efforts in pioneering innovative solutions to support our customers' sustainability journeys have seen OCBC top the sustainable finance league tables in our key markets.



Our Sustainability Report on page 54 of this Annual Report provides a comprehensive overview of OCBC's sustainability agenda and actions.

Caring for Our Community

The #OCBCCares Programme demonstrates our commitment to the community and the environment. We supported the less fortunate, provided financial assistance for families in need and rolled out financial literacy classes to help raise their level of financial knowledge and awareness. As part of our climate action initiatives, we opened the OCBC Arboretum in the Singapore Botanic Gardens. The OCBC Arboretum will grow and conserve highly-endangered dipterocarp trees, which are excellent for absorbing and storing carbon dioxide throughout their lifetimes. Research at the OCBC Arboretum could help re-forestation efforts and contribute to nature-based climate solutions.

>7,000
learning and development programmes

Launched
MyWellness
a digital one-stop benefits app to empower employees to create their own wellness journey

>23,000 employees
worldwide completed digital and fintech skills learning programmes

Best Employer in Singapore and Malaysia
awarded by Kincentric Best Employers Awards (OCBC Bank)

Employer of Choice Award
awarded by Job Market (OCBC Wing Hang Bank)

Best Practice Award on People Development
awarded by Universal Ideas (OCBC Wing Hang China)

Message from Chairman and CEO

S$10b
target to build our sustainable finance portfolio to this size by 2022

1st Bank
in Southeast Asia to rule out funding new coal-fired power plants

>20
green and sustainability-linked loan transactions completed in 2019

1st Green Bond
issued for financing green assets and projects

No. 1
2019 Asia Pacific (ex-Japan) Green/Renewable Energy Loans Mandated Lead Arranger League Table – Bloomberg

No. 1
2019 Asia Pacific (ex-Japan) Green/Sustainability-linked Loans Mandated Lead Arranger League Table – Debtwire

Comprehensive Covid-19 Support

As a key pillar of our society, OCBC has the responsibility to help our employees, customers and communities overcome the challenges posed by the Covid-19 outbreak.

Our foremost priority has been to safeguard the health and safety of our employees and ensure business continuity. We engaged and provided customised financial assistance to customers whose operations are impacted by Covid-19. These relief solutions do not have a programme cap. Our insurance subsidiary, Great Eastern Holdings, also rolled out support packages for its policyholders and their families. In addition, we have introduced initiatives to support the community and healthcare workers through various channels, including financial assistance and donations, and will continue to render help throughout this challenging period.

THE WAY FORWARD

2020 began on a hopeful note following the phase 1 agreement between the United States and China, an important step forward in the journey to resolve the trade conflict. This positive development was however quickly reversed by the sudden onset and rapid spread of Covid-19. The outlook for 2020 is now heavily clouded by the severe disruptions in the global supply chain and growing scale and magnitude of the impact from the outbreak as it manifested itself across the globe, creating a sharp fall-off in demand across many industries and businesses. Key sectors such as retail, travel, hospitality and transportation have been badly hit. In response, major central banks have promptly acted with sizable monetary easing, supported by fiscal stimulus to soften the impact on targeted sectors. The severity of the cascading negative multiplier impact on the global economy will depend on the scale and longevity of the outbreak. Frequent volatilities in financial markets and large swings in commodity prices can be expected. At this point, the negative impact on global growth remains highly uncertain. The Organisation for Economic Co-operation and Development (OECD) estimated global growth for 2020 to be 2.4%, a downward revision from its previous projection of 2.9% made in November 2019. Although this will be the lowest growth since the 2008 global recession, recent developments indicate that the OECD forecast could have more downside.

Beyond the Covid-19 outbreak, other downside risks remain. The United States enters a presidential election year amid a divisive political climate. The arrangement towards phase 2 trade negotiations between the United States and China remains distant. Uncertainties lay ahead on the new agreement between the United Kingdom and the European Union, and the social issues in Hong Kong remain unresolved. Longer term, the impact of climate change and the increased risks of natural disasters to businesses cannot be underestimated. The impact on OCBC's business is constantly being re-assessed. During this difficult period, the strong foundation that we have built in our people, capital and client franchise will enable us to weather the storms buffeting the world and allow OCBC to sustain its Do Well and Do Good mission for our shareholders, customers, employees and the community. Although we are hopeful that a gradual recovery of consumer confidence and sentiments will start to set in towards the end of 2020, a stronger and steady economic recovery will likely to be a 2021 event.

Our confidence in our ability to address the challenges ahead is well anchored on our past record of sustainable performance, the strength and resilience of our diverse and highly-interconnected franchise, solid capital base and stable funding and liquidity position. We have a committed and talented workforce, a robust risk management framework and we are deeply grateful to the loyal customer base we have solidly built over the years. We will continue to exercise heightened vigilance over our credit portfolio, and monitor for early signs of weaknesses while proactively engaging and supporting our customers. Digital transformation across the Group will forge ahead as we expand our digital platform and partnerships to advance the creation of a vibrant ecosystem with our partners. We will continue to uphold and cement our core values, and are firmly committed to doing our part for the community and the environment.

In closing, we wish to firmly reassure all our stakeholders that OCBC will be there to support and assist them as we navigate Covid-19 together. We will leverage on our business strengths and resources to stand by our commitment to serve all of you.

IN APPRECIATION

We are thankful to our highly-dedicated Board members for their support and guidance. We give special thanks and bid a fond farewell to Mr Lai Teck Poh who retired as a director in December 2019 after nine years of invaluable contribution to OCBC. The Board warmly welcomes Mr Koh Beng Seng and Ms Tan Yen Yen, who joined us as directors.

We also extend our sincere appreciation to our management team and all our employees for their dedication, drive, resourcefulness and unrelenting focus on putting the customer first.

It is equally important for us to express our gratitude to our customers for their continued trust and confidence in us. To our shareholders, we remain committed to deliver high-quality returns and long-term value to you.

Ooi Sang Kuang
Chairman

Samuel N. Tsien
Group Chief Executive Officer

10 March 2020

Strong Focus on Executing Our Corporate Strategy to Create Sustainable Value

Our Purpose

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

Our Values

Lasting Value

We focus on long-term value creation for our shareholders, customers, people and the communities we serve. We adopt prudent risk-taking in all our dealings and investments. Only then can we achieve growth and sustainability for our business.

Integrity

We hold ourselves to the highest ethical standards and assume that everything we do is in full public view. Fair dealing is the foundation of our business. That way, the trust in us that was built by our predecessors and us will never be eroded.

Forward-looking

We embrace technological advances, economic conditions and social institutions, progressing with time and the market. Together, we break new ground through our thinking, actions and decisions.

Respect

We treat all our stakeholders with respect and humility. We care by listening to, understanding and supporting one another, working as one team regardless of differences to achieve our common Purpose.

Responsibility

We are committed to being reliable and fulfilling our promises. Each of us individually takes ownership of doing the right things, giving the right advice and developing the right solutions.

How We Create Value

Our Corporate Strategy

Deepen Presence In Core Markets

A leading Asian financial services group with a broad geographical footprint in North and Southeast Asia. A resilient and diversified business that generates sustainable long-term value for shareholders, customers, staff and the community.

Singapore	Malaysia	Indonesia	Greater China
Dominant market position at home	Entrenched banking and insurance franchise	Extensive national presence with comprehensive financial services offering	Strong presence with focus on cross border trade, wealth and capital flows

Core Businesses

Banking	Wealth Management	Insurance
Comprehensive consumer, retail and commercial banking franchise across well-connected business and geographical network	"Asia's Global Private Bank". Regional Premier Platform. Integrated model across private, premier private and premier banking, bancassurance, securities brokerage and asset management	Leading insurance presence in Singapore and Malaysia, and growing franchise in Indonesia

Core Competencies

- Disciplined Risk Management
- Diversified Funding Base
- Digital Transformation
- Future-Smart Talent

Core Environmental, Social and Governance Pillars

- Putting Customers First
- Being Environmentally and Socially Responsible
- Acting with Integrity
- Valuing Our People
- Engaging Communities

Well-Positioned to Ride on Key Global Megatrends Shaping Asia's Growth

- Rising Asian Wealth
- Increasing Dominance of China
- Growing Silver and Gig Economies
- Digital Prominence and Threats
- Rising Protectionism and Populism
- Focus on Sustainability

Our Unique Proposition

Trusted Advisor

The culture of OCBC is predicated upon our values, with special emphasis placed on forging lasting customer relationships based on trust and respect.

This trust is hard earned and we aim to consistently uphold and surpass the ethical standards that we are expected to live up to.

Broad Geographical Footprint

Our presence in North and Southeast Asia is attractive to customers who seek to capture opportunities both within and beyond their home markets. In Southeast Asia, we are present in eight out of 10 ASEAN countries and have deep local market knowledge as well as strong network connectivity. We have close to 50 branches in Singapore, more than 40 branches in Malaysia and more than 280 branches across over 60 cities in Indonesia. In Greater China, we are well represented with more than 80 branches.

Our standing as one of the largest foreign banks in the Greater Bay Area, combined with our extensive reach in Southeast Asia, means we are uniquely placed to capture the flows within and between the two regions. Beyond Asia, we have a presence in Australia, the Middle East, the United Kingdom and the United States to support our customers' growth beyond the region.

Digital Innovation

We have a longstanding track record of first-to-market solutions by taking a two-pronged approach towards digital transformation: First, we invest in developing our internal resources, including a digitally-empowered workforce and robust data and technology platforms, and we incubate internal employee ideas at our Innovation Lab. Additionally, we embrace external collaboration with fintech companies through The Open Vault at OCBC, and we harness new technologies—from biometrics to artificial intelligence (AI)—in a discerning manner.

Corporate Social Responsibility

Our goal is to deliver long-term benefits to the communities where we operate, with a focus on the more vulnerable segments of society and protecting the environment. Besides sponsoring large-scale community projects such as the Singapore Sports Hub and the OCBC Skyway at Gardens by the Bay to promote national identity and bonding, our employees actively volunteer in social work across Singapore, Malaysia, China, Hong Kong and Indonesia. We rally behind families, including children and youths, the elderly and special needs persons and also champion environmental sustainability.

Who We Create Value For

Shareholders

We conduct business taking a long-term view to deliver sustainable returns to our shareholders.

Customers

We commit to living our Brand Promise every day, delivering Simply Spot On solutions and experiences to our customers consistently.

Employees

We take a long-term view of our employees and continue to invest in their personal and professional growth. We show that we care by respecting, understanding and supporting each other. We work as a team to achieve our common purpose.

Community

By engaging and supporting the community we operate in, we help to shape a more sustainable society. Sustainability means to build and invest for a better future for our business and make a lasting impact on society.

Environment

We promote the climate change agenda, support our customers in adopting low-carbon projects and fund community initiatives that make meaningful impact for the environment.

Board of Directors

Mr Ooi Sang Kuang
Chairman
Non-Executive and Independent Director

Mr Ooi was first appointed to the Board on 21 February 2012 and last re-elected as a Director on 30 April 2018. He assumed the role of Chairman on 1 September 2014. He was Special Advisor in Bank Negara Malaysia until he retired on 31 December 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of Bank Negara Malaysia, from 2002 to 2010. Age 72.

Mr Ooi will be seeking re-election at the Bank's 2020 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
OCBC Management Services Pte Ltd, Board Director • OCBC Wing Hang Bank Ltd, Board Director • Xeraya Capital Labuan Ltd, Board Chairman • Xeraya Capital Sendirian Berhad, Board Chairman • Target Value Fund, Board Director

Directorships and Principal Commitments/ Appointments for the past 5 years
OCBC Al-Amin Bank Berhad, Board Chairman • OCBC Bank (Malaysia) Berhad, Board Chairman • Cagamas Berhad, Board Chairman • Cagamas Holdings Berhad, Board Chairman • Cagamas MBS Berhad, Board Chairman • Cagamas SRP Berhad, Board Chairman

Academic and Professional Qualifications
Bachelor of Economics (Honours), University of Malaya
Master of Arts (Development Finance), Boston University, USA
Fellow Member of the Asian Institute of Chartered Bankers

OCBC Board Committees Served On
Chairman, Ethics and Conduct Committee
Chairman, Executive Committee
Member, Audit Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Management Committee

Length of Service as a Director
8 years 1 month

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
Mr Ooi's financial industry and leadership experience will continue to be needed by the Board.

Mr Chua Kim Chiu
Non-Executive and
Independent Director

Mr Chua was appointed to the Board on 20 September 2017 and elected as a Director on 30 April 2018. He is a chartered accountant and currently holds the position of Professor (Practice) in Accounting, National University of Singapore (NUS) Business School. He had a long and distinguished career in PricewaterhouseCoopers (PwC) Singapore where he served as a partner from 1990, headed the banking and capital markets group as well as the China desk, and was appointed a member of the firm's leadership team in 2005. He retired in 2012, but was retained as senior advisor for PwC Hong Kong until June 2016 when he left to join NUS. Age 65.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Department of Accounting, NUS Business School, National University of Singapore, Employee • Greenland (Singapore) Trust Management Pte. Ltd., Board Director • ACRA Financial Reporting Technical Advisory Panel, Member • National University Health System Pte Ltd, Audit and Risk Committee, Member • NUS Business School, Executive Education Advisory Board, Member

Directorships and Principal Commitments/ Appointments for the past 5 years
Jurong Health Services Pte Ltd, Board Director • Accounting Standards Council, Singapore, Council Member • MOH Holdings Pte Ltd, Audit and Risk Committee, Member

Academic and Professional Qualifications
Bachelor of Commerce and Administration with Honours, Victoria University of Wellington, New Zealand
Bachelor of Commerce, Nanyang Technological University (formerly Nanyang University), Singapore
Fellow Chartered Accountant of Singapore
Member of Chartered Accountants Australia and New Zealand
Fellow Chartered Certified Accountant, United Kingdom

OCBC Board Committees Served On
Chairman, Audit Committee
Member, Risk Management Committee

Length of Service as a Director
2 years 7 months

Country of Principal Residence
Singapore

Mr Koh Beng Seng
Non-Executive and
Non-Independent Director

Mr Koh was appointed to the Board on 1 October 2019. He has extensive experience in the financial services sector and is presently the Chief Executive Officer of Octagon Advisors Pte Ltd and serves as Chairman of Great Eastern Holdings Ltd and its principal insurance subsidiaries. He served 24 years with the Monetary Authority of Singapore (MAS) where his last appointment was Deputy Managing Director, Banking and Financial Institution Group. After leaving MAS in 1998, he held key positions in many notable organisations. Age 70.

Mr Koh will be seeking election at the Bank's 2020 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Octagon Advisors Pte Ltd, Chief Executive Officer • Great Eastern General Insurance Ltd, Board Chairman • Great Eastern Holdings Ltd*, Board Chairman • The Great Eastern Life Assurance Company Ltd, Board Chairman • Bank of China (Hong Kong) Ltd, Board Director • BOC Hong Kong (Holdings) Ltd*, Board Director • China Banking Association in China, Expert Committee, Member • Lien Ying Chow Legacy Fellowship Council, Member • Lingnan (University) College, Sun Yat-sen University in China, International Advisory Board, Member

** Listed companies*

Directorships and Principal Commitments/ Appointments for the past 5 years
Hon Sui Sen Endowment CLG Ltd, Board Director • Sing-Han International Financial Services Ltd, Hong Kong, Board Director • Singapore Technologies Engineering Ltd, Board Director • United Engineers Ltd, Board Director

Academic and Professional Qualifications
Master of Business Administration, Columbia University, USA
Bachelor of Commerce (First Class Honours), Nanyang Technological University (formerly Nanyang University), Singapore

OCBC Board Committees Served On
Chairman, Risk Management Committee
Member, Remuneration Committee

Length of Service as a Director
6 months

Country of Principal Residence
Singapore

The Board's Comments on the Election
Mr Koh's knowledge and experience in the financial services sector will strengthen Board capabilities.

Dr Lee Tih Shih
Non-Executive and
Non-Independent Director

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 28 April 2017. He is presently an Associate Professor at the Duke-NUS Medical School in Singapore. He has previously served in senior positions at both OCBC Bank from 1993 to 1998 and the Monetary Authority of Singapore from 1998 to 2000. Age 56.

Dr Lee will be seeking re-election at the Bank's 2020 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Duke-NUS Medical School (Singapore), Employee • Lee Foundation, Singapore, Board Director • Selat (Pte) Ltd, Board Director • Singapore Investments (Pte) Ltd, Board Director

Directorships and Principal Commitments/ Appointments for the past 5 years
Neuropsychiatry Associates Pte Ltd, Board Director

Academic and Professional Qualifications
MBA with Distinction, Imperial College, London
MD and PhD, Yale University, New Haven
Fellow, Royal College of Physicians of Edinburgh

OCBC Board Committees Served On
Member, Ethics and Conduct Committee
Member, Executive Committee

Length of Service as a Director
17 years

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
In addition to being the representative of a substantial shareholder, Dr Lee will continue to be of value to the Board with his qualification and experience.

Ms Christina Ong
Non-Executive and
Independent Director

Ms Ong was first appointed to the Board on 15 February 2016 and last re-elected as a Director on 29 April 2019. She is presently Senior Partner and Chairman of Allen & Gledhill LLP as well as the Co-Head of its Financial Services Department. Ms Ong is a lawyer and has been in Allen & Gledhill since 1987. She provides corporate and corporate regulatory and compliance advice, particularly to listed companies. Her areas of practice include banking, securities offerings, securities regulations, investment funds, capital markets, and corporate finance. Age 68.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Allen & Gledhill LLP, Chairman and Senior Partner • Allen & Gledhill Regulatory & Compliance Pte Ltd, Board Director • Eastern Development Holdings Pte Ltd, Board Director • Eastern Development Pte Ltd, Board Director • Epimetheus Ltd, Board Director • Hongkong Land Holdings Ltd*, Board Director • SIA Engineering Company Ltd*, Board Director • Singapore Telecommunications Ltd*, Board Director • ABF Singapore Bond Index Fund, Supervisory Committee, Member • MAS Corporate Governance Advisory Committee, Member • SGX Catalist Advisory Panel, Member • The Stephen A Schwarzman Scholars Trust, Trustee

**Listed companies*

Directorships and Principal Commitments/ Appointments for the past 5 years
Singapore Tourism Board, Board Member • Trailblazer Foundation Ltd, Board Director

Academic and Professional Qualifications
Bachelor of Laws (Second Upper Class Honours), University of Singapore
Member, Law Society of Singapore
Member, International Bar Association

OCBC Board Committees Served On
Member, Ethics and Conduct Committee
Member, Nominating Committee
Member, Remuneration Committee

Length of Service as a Director
4 years 2 months

Country of Principal Residence
Singapore

Mr Quah Wee Ghee
Non-Executive and
Independent Director

Mr Quah was first appointed to the Board on 9 January 2012 and last re-elected as a Director on 29 April 2019. He began his career at IBM and in 1987, joined the Government of Singapore Investment Corporation (GIC), where he last held the position of President of Public Markets. He also served as a Director of GIC and was the Managing Director and President of GIC Asset Management Pte Ltd from 2007 to 2011. Age 59.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Avanda LLP Singapore, Partner/ Managing Member • Avanda Investment Management Pte Ltd, Executive Director • Bank of Singapore Ltd, Board Director • Cypress Holdings Pte Ltd, Board Director • Grand Alpine Enterprise Ltd, Board Director • Great Eastern General Insurance Ltd, Board Director • The Great Eastern Life Assurance Co Ltd, Board Director • Wah Hin & Company (Pte) Ltd, Investment Committee, Advisor

Directorships and Principal Commitments/ Appointments for the past 5 years
MOH Holdings Pte Ltd, Investment and Evaluation Committee, Chairman • EDBI Pte Ltd, Board Director • Singapore Exchange Ltd, Board Director

Academic and Professional Qualifications
Bachelor of Engineering (Civil), National University of Singapore
Chartered Financial Analyst
Alumni Member of the Stanford Graduate Business School

OCBC Board Committee Served On
Member, Executive Committee

Length of Service as a Director
8 years 3 months

Country of Principal Residence
Singapore

Board of Directors

Mr Pramukti Surjaudaja
Non-Executive and
Non-Independent Director

Mr Pramukti was first appointed to the Board on 1 June 2005 and last re-elected as a Director on 30 April 2018. He has been with PT Bank OCBC NISP Tbk for 32 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Age 57.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
PT Bank OCBC NISP Tbk*, Board President Commissioner • PT Biolaborindo Makmur Sejahtera, Board Commissioner • Indonesian Overseas Alumni, Board of Supervisors, Deputy Chairman • Insead, Southeast Asia, Council Member • Karya Salemba Empat Foundation, Board of Trustees, Member • Parahyangan Catholic University, Board of Advisors, Member
** Listed company*

Directorships and Principal Commitments/ Appointments for the past 5 years
SBR Capital Ltd, Board Director • President University, Board of Trustees, Member

Academic and Professional Qualifications
Bachelor of Science (Finance & Banking), San Francisco State University
Master of Business Administration (Banking), Golden Gate University, San Francisco
Participant in Special Programs in International Relations, International University of Japan

OCBC Board Committees Served On
Member, Ethics and Conduct Committee
Member, Nominating Committee

Length of Service as a Director
14 years 10 months

Country of Principal Residence
Indonesia

Mr Tan Ngiap Joo
Non-Executive and
Independent Director

Mr Tan was first appointed to the Board on 2 September 2013 and last re-elected as a Director on 29 April 2019. He had a long career of 37 years as a banker. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia and postings overseas prior to joining the OCBC Group in August 1990, where he held senior positions over the years, including Chief Executive of OCBC's Australian operations, and Head, Group Business Banking and was appointed Deputy President in December 2001. He retired in December 2007. Age 74.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
OCBC Al-Amin Bank Berhad, Board Chairman • OCBC Bank (Malaysia) Berhad, Board Chairman • MASCOT Private Trust, Investment Committee, Chairman • Mapletree India China Fund Ltd, Investment Committee, Chairman • Gemstone Asset Holdings Pte Ltd, Board Director • OCBC Management Services Pte Ltd, Board Director

Directorships and Principal Commitments/ Appointments for the past 5 years
Banking Computer Services Pte Ltd, Board Chairman • United Engineers Ltd, Board Chairman • BCS Information Systems Pte Ltd (now known as NETS Solutions Pte Ltd), Board Director • China Fishery Group Ltd, Board Director • Mapletree Logistics Trust Management Ltd, Board Director • Tan Chong International Ltd, Board Director • Breast Cancer Foundation, Executive Committee, Member

Academic and Professional Qualifications
Bachelor of Arts, University of Western Australia

OCBC Board Committees Served On
Chairman, Remuneration Committee
Member, Audit Committee
Member, Executive Committee
Member, Nominating Committee

Length of Service as a Director
6 years 7 months

Country of Principal Residence
Singapore

Ms Tan Yen Yen
Non-Executive and
Independent Director

Ms Tan was appointed to the Board on 1 January 2020. She is presently the President (Asia Pacific) of Vodafone Enterprise Singapore Pte Ltd [1]. She is also Chairman of the Singapore Science Centre and a Director of Singapore Press Holdings Ltd, among other appointments. Her past experiences included IT and IT-related positions in SAS Institute Inc, Oracle Corporation and Hewlett-Packard Singapore, and she has played an active role in Singapore's infocomm industry. Age 54.

Ms Tan will be seeking election at the Bank's 2020 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Vodafone Enterprise Singapore Pte Ltd, Employee [1] • key subsidiaries of Vodafone in Asia Pacific, Board Director [1] • ams AG*, Board Director • Galboss Asia Pte Ltd, Board Director • Singapore Press Holdings Ltd*, Board Director • XY Maxwell Pte Ltd, Board Director • Ministry of Culture, Community and Youth (High Performance Sports), SpexBusiness Network Advisory Board, Chairman • Singapore Science Centre, Chairman • TNF Ventures Pte Ltd, Advisor Mentor • National University of Singapore (School of Computing), Board of Advisors, Member
** Listed companies*

Directorships and Principal Commitments/ Appointments for the past 5 years
Bold & Beautiful Global Pte Ltd, Board Director • Cap Vista Pte Ltd, Board Director • Gemalto NV, Board Director • Singapore Institute of Directors, Board of Advisors, Member

Academic and Professional Qualifications
Executive MBA, Helsinki School of Economics Executive Education
Bachelor of Science (Computer Science), National University of Singapore

OCBC Board Committees Served On
Member, Audit Committee
Member, Remuneration Committee

Length of Service as a Director
3 months

Country of Principal Residence
Singapore

The Board's Comments on the Election
Ms Tan's background and experience in technology will enhance Board competencies.

(1) Directorships and principal commitments/appointments will cease on 1 April 2020.

Mr Samuel N. Tsien
Group Chief Executive Officer
Executive and Non-Independent Director

Mr Tsien was first appointed to the Board on 13 February 2014 and last re-elected as a Director on 29 April 2019. He was appointed Group Chief Executive Officer on 15 April 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 42 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Age 65.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Bank of Singapore Ltd, Board Director • Dr Goh Keng Swee Scholarship Fund, Board Director • Great Eastern Holdings Ltd*, Board Director • International Monetary Conference, Board Director • Mapletree Investments Pte Ltd, Board Director • OCBC Bank (Malaysia) Berhad, Board Director • OCBC Overseas Investments Pte Ltd, Board Director • OCBC Wing Hang Bank Ltd, Board Director • OCBC Wing Hang Bank (China) Ltd, Board Director • PT Bank OCBC NISP Tbk*, Board Commissioner • ASEAN Bankers Association, Director • Association of Banks in Singapore, Chairman • MAS Steering Committee for SGD Swap Offer Rate (SOR) Transition to Singapore Overnight Rate Average (SORA), Chairman • Institute of Banking & Finance Singapore, Vice Chairman, and Chairman of Standards Committee • Advisory Board of the Asian Financial Leaders Programme, Member • Financial Sector Tripartite Committee, Member • MAS Financial Centre Advisory Panel, Member • MAS Payments Council, Member
** Listed companies*

Directorships and Principal Commitments/ Appointments for the past 5 years
Asean Finance Corporation Ltd, Board Director • OCBC Al-Amin Bank Berhad, Board Director • ABS Benchmarks Administration Co Pte Ltd, Oversight Committee, Member • Advisory Council on Community Relations in Defence (ACCORD) (Employer & Business), Member • Malaysia-Singapore Business Council, Member • Singapore Business Federation, Finance & Investment Committee, Council Member

Academic and Professional Qualifications
Bachelor of Arts with Honours in Economics, University of California, Los Angeles

OCBC Board Committees Served On
Member, Executive Committee
Member, Risk Management Committee

Length of Service as a Director
6 years 2 months

Country of Principal Residence
Singapore

Mr Wee Joo Yeow
Non-Executive and
Independent Director

Mr Wee was first appointed to the Board on 2 January 2014 and last re-elected as a Director on 28 April 2017. He has more than 39 years of corporate banking experience. He was Managing Director & Head of Corporate Banking Singapore with United Overseas Bank Ltd until his retirement in June 2013. Prior to that, he was Executive Vice President & Head of Corporate Banking with Overseas Union Bank Ltd, and Head Credit & Marketing with First National Bank of Chicago (Singapore). Age 72.

Mr Wee will be seeking re-election at the Bank's 2020 Annual General Meeting. Please refer to the footnote at the end of this section for additional information required under Rule 720(6) of the Listing Manual.

Other Directorships and Principal Commitments/ Appointments (as at 17 March 2020)
Frasers Property Ltd*, Board Director • Great Eastern Holdings Ltd*, Board Director • WJY Holdings Pte Ltd, Board Director • WTT Investments Pte Ltd, Board Director
** Listed companies*

Directorships and Principal Commitments/ Appointments for the past 5 years
Mapletree Industrial Trust Management Ltd, Board Director • OCBC Management Services Pte Ltd, Board Director • PACC Offshore Services Holdings Ltd, Board Director

Academic and Professional Qualifications
Bachelor of Business Administration (Honours), University of Singapore
Master of Business Administration, New York University, USA

OCBC Board Committees Served On
Chairman, Nominating Committee
Member, Executive Committee
Member, Remuneration Committee
Member, Risk Management Committee

Length of Service as a Director
6 years 3 months

Country of Principal Residence
Singapore

The Board's Comments on the Re-election
Mr Wee's banking knowledge and experience will continue to be of value to the Board.

The Directors seeking re-election at the 83rd Annual General Meeting, namely, Mr Ooi Sang Kuang, Dr Lee Tih Shih, Mr Wee Joo Yeow, Mr Koh Beng Seng and Ms Tan Yen Yen, have each:

- Provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (Listing Manual).
- Confirmed that, save for Dr Lee Tih Shih who is a director of Lee Foundation and Selat (Pte) Ltd, both substantial shareholders of the Bank, he/she has no relationship (including immediate family relationships) with an existing Director, existing executive officer, the Bank and/or any substantial shareholder of the Bank or of any of its principal subsidiaries.
- Confirmed that he/she has no, and for Mr Koh Beng Seng, no significant, conflict of interest (including any competing business).
- Confirmed that:

(a) for Mr Ooi Sang Kuang, Mr Wee Joo Yeow, Mr Koh Beng Seng and Ms Tan Yen Yen, there is no change to his/her responses previously disclosed (on 21 February 2012, 2 January 2014, 30 September 2019, and 31 December 2019 respectively) under items (a) to (k) of Appendix 7.4.1 of the Listing Manual*, which were all "No", save that Mr Wee Joo Yeow's response to item (k) of Appendix 7.4.1, which was originally "No", is now "Yes" as the Monetary Authority of Singapore had on 6 February 2014 issued a supervisory warning to him to comply with Section 133 of the Securities and Futures Act (Chapter 289) of Singapore and other applicable laws and regulations at all times as, due to an inadvertent oversight, he had, on his appointment on 2 January 2014 to the board of the Bank, omitted to disclose some of his interest in shares in the Bank within the prescribed time period; and

(b) for Dr Lee Tih Shih, there is no change to his responses previously disclosed (on 4 April 2003) under items 1 to 9 of the then applicable Appendix 2.4 of the Listing Manual* which were all "No", and his responses to items (a) to (k) of the current Appendix 7.4.1 of the Listing Manual are also all "No".

* The Appendix 7.4.1 information was announced on 21 February 2012 (Mr Ooi Sang Kuang), 2 January 2014 (Mr Wee Joo Yeow), 30 September 2019 (Mr Koh Beng Seng) and 31 December 2019 (Ms Tan Yen Yen), when these Directors were first appointed as Directors of the Bank. The Appendix 2.4 information was announced on 4 April 2003 (Dr Lee Tih Shih), when Dr Lee Tih Shih was first appointed as a Director of the Bank. Save for the changes as disclosed above and updates on age, date of last re-appointment, country of principal residence, principal commitments including directorships, working experience and occupation(s) during the past 10 years, job title, and shareholding in the Bank and its subsidiaries as disclosed elsewhere in this Annual Report, there is no change to the Appendix 7.4.1/Appendix 2.4 information previously announced in relation to these Directors.

The shareholding interest in the Bank and its subsidiaries (if any) of each of these Directors are disclosed in the "Directors' Statement" on pages 136 to 141.

Management Committee

Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Ching Wei Hong
Deputy President, Global Wealth Management and Consumer Banking

Ms Helen Wong
Deputy President, Global Wholesale Banking

Mr Darren Tan
Chief Financial Officer

Mr Lam Kun Kin
Global Treasury

Mr Vincent Choo
Group Risk Management

Mr Linus Goh
Global Commercial Banking

Ms Elaine Lam
Global Corporate Banking

Mr Na Wu Beng
CEO, OCBC Wing Hang Bank

Mr Wang Ke
CEO, OCBC Wing Hang Bank (China) Limited

Mr Bahren Shaari
CEO, Bank of Singapore

Mr Tan Wing Ming
Regional General Manager for Northeast Asia

Mr Ong Eng Bin
CEO, OCBC Bank Malaysia

Ms Parwati Surjaudaja
President Director and CEO, Bank OCBC NISP

Mr Gan Kok Kim
Global Investment Banking

Mr Sunny Quek
Consumer Financial Services Singapore

Mr Tan Chor Sen
Global Enterprise Banking – International

Mr Jason Ho
Group Human Resources

Mr Lim Khiang Tong
Group Operations and Technology

Ms Goh Chin Yee
Group Audit

Ms Loretta Yuen
Group Legal and Regulatory Compliance

Mr Peter Yeoh
Group Secretariat

Mr Vincent Soh
Group Property Management

Mr Melvyn Low
Global Transaction Banking

Ms Koh Ching Ching
Group Brand and Communications

Ask Sam

Our underlying values of integrity and honesty must never change so that we never erode the trust that our customers have in us.

Samuel Tsien
Group Chief Executive Officer

Q: With new digital banking licences being issued in Singapore and Hong Kong, is OCBC able to face the competition from new players?

A: Competition has always been intense for the banking industry. We will always invest, innovate and stay relevant to meet the evolving needs of our customers.

In a way, we welcome our new peers operating under the new digital licences to join us. We are partners and peers. We make financial services more complete for the community. A digital bank can serve segments which may currently be underserved. Outside of Singapore, they may even play a bigger role. Globally, 1.7 billion adults are estimated to be unbanked.

The cost model is very different for a digital bank than a conventional bank. The infrastructure set-up of a conventional bank has to be very comprehensive as it offers total relationship banking, deals with all types of customers and offers a wide variety of products. If one just focuses on a specific segment, the requirements would be less complex and, when supported by technology, it can be more cost efficient but the breadth of coverage will be narrower.

At OCBC, we are very clear – we want to serve the entire community. We deploy technology to digitalise our processes and channels to enhance customer experience, but we will not "digitise" our customers. Our banking is relationship based.

We are a bank, a digitally-empowered bank, centred on our customers, not a technology company.

To support our customers better, we have accelerated our digital transformation journey through innovations and by forging new partnerships and ventures. Today, nine in 10 of our new SME business accounts are opened digitally. We now enable start-ups to open an account immediately after incorporation, and not even have to wait one day. We actively support the use of PayNow in Singapore, and as a result, about half of all PayNow corporate registrations are with us.

The application process for our consumer banking products is now entirely digitalised, paperless and fuss-free. Customers can now apply for and instantly use credit cards, debit cards, personal loans, bank accounts and lines of credit after their applications via digital channels.

We are a bank, a digitally-empowered bank, centred on our customers, not a technology company.

Q: What do you see are the other major trends that will disrupt the banking industry?

A: In addition to changes prompted by digitalisation and technological advancements, businesses, and banks, are no longer impacted only by economic cycles, but also by the increasing number of unanticipated geo- and social-political events. These event risks are the unintended consequences of globalisation and technological advancements which led to social and economic imbalances across the world. These developments also led to increased emergence of nationalism, populism and protectionism in many regions. They have caused significant impact not just on economies, but societies at large.

Unfortunately, Asia also faced another event risk recently, the outbreak of the novel coronavirus Covid-19. Although it is expected that the pandemic will be contained later in the year, the impact on consumer sentiments and investment confidence will last longer. Several of the geo- and socio-political developments will also continue to pose new challenges for us as they drag on into this year, and will take some time before normalcy can be restored.

Growing Base of Digital Customers in Home Market*

53%
of retail customers are also digital customers
2014: 36%
2018: 49%
2023 target: 60%

65%
of business customers are also digital customers
2014: 36%
2018: 62%
2023 target: 70%

9 in 10
financial transactions are now performed digitally

* *Digital customers are those who have used internet or mobile banking at least once in the last three months*

33% growth
in number of mobile transactions

9 in 10
new SME business accounts are opened digitally
2018: 3 in 10

Sustained Growth from Our Core Businesses

Total Income
12% growth
2019: S$10.87b
2018: S$9.7b

Operating Profit
13% growth
2019: S$6.2b
2018: S$5.5b

Customer Loans
3% growth
December 2019: S$265b
December 2018: S$258b

Customer Deposits
3% growth
December 2019: S$303b
December 2018: S$295b

New Business Embedded Value from Insurance
15% growth
2019: S$616m
2018: S$536m

Wealth Management Income
20% growth
2019: S$3.397b
2018: S$2.842b

Ask Sam

Strong Growth in Greater China Business since Acquisition of Wing Hang Bank in 2014:

More than doubled total profit before tax originating from Greater China
S$1.15b
2013: S$0.48b

Earning contributions from Greater China to the Group
3x
more than 2013

Expanded customer base in Greater China by 20x
555,000
2013: 28,000

More than tripled total income generated from Greater China*
S$2.5b
2013: S$0.7b

* *Based on internal management reports for the Group's Greater China franchise*

GBA Growth Targets

We set a five-year target in 2018 to grow our GBA business

Achieve 2x growth in profit from 2017
S$1b
by 2023

Investment
S$200m
by 2023

Number of employees
4,200
by 2023

Q: Given the unprecedented challenges in Hong Kong SAR, do you still see the growth opportunities in the Greater Bay Area and the larger Greater China region?

A: The contribution from Greater China to our overall business has tripled to become our second largest market after our home market Singapore since 2016. Our expanded presence in Greater China positions us well to capitalise on the strong economic growth in this region, of which the GDP growth rate is significantly higher than that of the global growth rate. As global trade pacts dwindle, we expect to see increased intra-Asia collaboration, promoting regional capital, wealth and trade flows and leading to increased connectivity between North Asia and Southeast Asia. Our strong presence in Greater China coupled with our long and penetrating establishment in Southeast Asia will allow us to capture the increasing opportunities from the growing connectivity.

Despite the social events and the recent coronavirus pandemic, we expect our portfolio in Hong Kong to hold up well. The non-performing loans ratio was at less than 0.4% at 2019 year-end. Whereas domestic growth in the local Hong Kong market is expected to slow down significantly in the near term of the next two years, reflecting the impacts of the social events and the recent pandemic, our medium- and long-term outlook for Greater China, including Hong Kong, continues to be very positive given the underlying growth driver from China and the increased connectivity across Asia.

Q: Operating in such a volatile world, how do you ensure OCBC remains among the top-rated banks in the world?

A: We cannot just differentiate ourselves from our competitors through purely products and channels. Our customers' expectations have changed. We must understand them and guide them to explore what is best for them. To do that, we must be transparent, caring and understanding. We must win their trust in us and preserve this in our relationship with them. Our underlying values of integrity and honesty must never change so that we never erode the trust that our customers have in us.

Our Brand Promise – *Simply Spot On* – encapsulates this. *Simply Spot On* is not an advertising tagline but is a pledge to our customers that we make it a point to truly understand their needs and to offer the best solutions for them throughout their lives.

On a business strategy level, we must remain very focused and not waste corporate resources on short-term pursuit of expansion without a long-term perspective. Our corporate strategy is focused on pursuing growth in four key markets of Singapore, Malaysia, Indonesia and Greater China. These markets are large and offer us substantial room for expansion. Our business strategy also focuses on three core businesses of Banking, Wealth Management and Insurance in each of these markets. Our diversified geographical footprint and core business pillar focus provide us with a diversified platform for continued, sustainable growth. Our strong capital, funding and liquidity positions in turn provide us with the flexibility to capitalise on market expansion opportunities as they arise.

Q: What does Sustainability mean to OCBC?

A: In short, sustainability is about investing now for a better and sustainable future for our business, for all our stakeholders and for our communities. It is an increasingly important area that customers and investors alike expect us to do.

Climate change is one of the most important and widely-publicised sustainability goals, though it is not the only objective in our pursuit of sustainability. We were the first bank in Southeast Asia to stop financing new coal-fired power plants, and I am pleased to note that many other banks quickly followed. We led the expansion into renewable and sustainable projects and have since funded 'green' projects in wind farms in Australia, solar farms in Malaysia and offshore wind power facility in Taiwan. We have set our Sustainable Financing team a target to grow our sustainability financing portfolio to S$10 billion by 2022, and we are well on track to meet it.

We are also actively doing our part for the environment. To raise awareness of the effects of climate change, we rolled out a climate action campaign in Singapore – *Tomorrow's Ours to Save* – which highlights the importance of reducing carbon emissions to fight climate change and showcases OCBC's efforts in this initiative.

Trees are the largest carbon absorber. That's why we sponsored the *OCBC Arboretum* located at the Singapore Botanic Garden's Gallop Extension which targets to conserve more than 200 species of the highly-endangered tree, the Dipterocarps. Each Dipterocarp tree can absorb as much as 40,000kg of carbon dioxide over its lifetime. It is one of the largest carbon absorption trees in the world. OCBC management and staff also supported the planting of more than 2,250 trees and coastal plants on the Coney Island in Singapore.

Group CEO Sam Tsien (in red) together with (from left) Dr Leong Chee Chiew, Deputy CEO, NParks, Mr Kenneth Er, CEO, NParks, Mr Desmond Lee, Minister for Social and Family Development & Second Minister for National Development; and Professor Leo Tan, Chairman of Garden City Fund. Other than the OCBC Arboretum, OCBC Bank's S$4 million contribution will also fund the Forest Discovery Centre@OCBC Arboretum, a knowledge centre for conservation, housed in Singapore's first black and while bungalow.

Ask Sam

>20
green and sustainable loan related transactions completed in 2019

1st Bank
in Southeast Asia to rule out funding new coal-fired power plants

Supported the development of
OCBC Arboretum
a forest of 2,000 Dipterocarps that can store 80 million kg of CO_2 in their lifetimes

Dedicating talent, resources, time and service to sustainably improve lives
11,347 staff volunteers
across our core markets contributed 52,513 hours to support 138,988 individuals

Q: How has OCBC helped to mitigate the impact of the novel coronavirus (Covid-19)?

A: Covid-19 has caused significant uncertainties. We saw consumer confidence and sentiments dwindle, and companies delay their investment and expansion plans. With the virus spreading worldwide, the economic effects are still emerging. The stresses to the global supply chains could be much larger than the 2003 Sars outbreak. The financial market has become more volatile and defensive. However, we should recognise that this is after all still only an event risk which will go away. The authorities are responding with relief measures and fiscal plans, and central banks are reacting with interest rate cuts. With coordinated efforts, better hygiene discipline and the arrival of the warmer season, I am hopeful the virus will be contained later in the year, and gradual recovery of investment spending and consumer sentiments will commence soon thereafter, starting with China. The recovery will be slow in the beginning but will accelerate as it continues. Our strong foundations in our people, capital and client franchise will put us in a good position to capitalise on the market recovery which may come stronger and sooner than most expect.

As a key pillar of society, we have the responsibility to help our customers and communities – many of whom have banked with us for many years – to overcome the challenges as they weather through this difficult period.

Safeguarding our employees:
Our first priority is to safeguard our employees. We have implemented split operations, allowed pregnant and vulnerable employees to work from home, and imposed restrictions on business travels. We shortened operating hours in some branches in Hong Kong and China and also closed some for use as back-up branches in case of affected branches needing to suspend their services. We have made available protective supplies including face masks and hand sanitisers for our staff. In some locations, we have re-arranged working hours to avoid peak periods of travelling and delivered packed meals to employees to avoid their exposure to lunch crowds.

Supporting our customers:
We have extended targeted relief measures to support impacted customers, including principal moratorium, bridging loans and additional working capital lines. We did not put a monetary cap on our relief programme as we want to extend as much financial assistance as necessary to affected customers, and not on a first-come, first-serve basis. We have been reaching out to customers so that they understand that help is available and can be provided quickly. We also work closely with government agencies to help bring our affected customers back to their normal state in 6-12 months' time after the end of the outbreak.

Caring for our community:
In Singapore, to show our appreciation to our healthcare workers who have been working so diligently on safeguarding our people, our staff sent them bottles of bird's nest supplements, packets of drinks and snacks, and also treated them to 14,000 cups of bubble tea – items which hospital staff had wished for. I joined our 7,000 colleagues in Singapore to pen individual appreciation cards to show our support for these workers.

When we heard that our charity partners were short of food for their beneficiaries such as the elderly and the sick due to a drop in corporate volunteerism and support, we donated S$110,000 worth of food packages to vulnerable seniors; provided vitamins and cleaning kits for needy households; and increased the frequency of cleaning at homes and centres.

We had also donated RMB1 million – in support of the Singapore Government's initiative – to buy medicine, medical supplies and equipment to help impacted communities in China. Our insurance subsidiary Great Eastern also pledged S$1 million and RM1 million respectively to support its customers affected by Covid-19, and contributed S$200,000 to the Courage Fund.

Q: Carrying out OCBC's strategy and plans need a strong pool of talent and good leaders. How do you ensure there is no talent gap in OCBC?

A: People are our most important resource. We invest and develop our people to ensure they can realise their fullest potential. On the other hand, we also expect our people to be committed to their own development in aptitude and attitude. A person can only be developed if one wants to be developed, in terms of both technical competencies and soft skills. We need organisational facilitation and self-discovery to complete staff development. This has always been our approach. We have a comprehensive staff learning and development programme to groom and develop our people's potential across the Group.

And when a senior position opens up, we will always evaluate internal candidates first to recognise their loyalty and their familiarity with the culture of the organisation. This does not exclude external candidates and we always welcome new talents to bring in new experiences and external insights into our organisation. After they have joined our workforce, we provide them with the same learning and development opportunities against the same criteria to allow further advancements.

Q: OCBC has been around for 90 years. How do you see OCBC in the next 90 years?

A: To continue to excel in the next 90 years, we need to always bear in mind that in addition to *Doing Well*, we must also *Do Good* for all our stakeholders – our customers, shareholders, employees, the community, the environment and our future generations. To be able to continue to Do Well and Do Good, we must anchor whatever we do on our corporate core values and ensure that our core values are deeply entrenched in our organisational culture.

BOLD is a new leadership training programme implemented in 2019 to groom future leaders of the organisation. The nine-month long programme focuses on key themes such as agility, sustainability, digital transformation and legacy building. It exposes them to global thought leaders and different business cultures and practices, helping them gain insights on how best to implement successful and sustainable initiatives.

Best Managed Bank
awarded by The Asian Banker (2017–2019)

Best Bank in Asia Pacific
awarded by Global Finance

To reflect the evolving expectations of our stakeholders, we refreshed our corporate core values in 2019 to LIFRR, which stands for Lasting Value, Integrity, Forward-looking, Respect and Responsibility. These values emphasise that we must take a long-term view and continue to uphold ourselves to the highest ethical standards and put our customers' interest above that of our own. This is the only way to earn and preserve their trust in us and will set us apart from other institutions. It will also ensure the promotion of sustainable, long-term value for multiple generations to come.

Ask Darren

The adage "hoping for the best, prepared for the worst and unsurprised by anything in between" is particularly apt in the current phase of the economic cycle.

Darren Tan
Chief Financial Officer

Q: 2019 has been an eventful year, can you share your reflections?

A: Indeed, 2019 has been a year of two halves. The first half was very much a late cycle rally and we saw an increase in business volume. The market was somewhat optimistic and projected a continuation for the rest of the year. However, as we entered the second half of the year, sentiments reversed dramatically, from a combination of a slowdown in global growth and an increase in geopolitical and trade tensions.

Fortunately, for us, different engines of our business portfolio fired up at different times. Businesses driven by market sentiments such as Wealth Management did comparatively better in the first half, while businesses driven by real economic activities such as loans (from improved margins on a higher base) did comparatively better in the second half.

These developments underscore the importance of a diversified portfolio of businesses that collectively would continue to perform well across economic cycles.

Q: What do you see as key trends which will shape the banking industry landscape?

A: Regulations and technology continue to impact the way banks do business. Regulations necessitate more capital, more liquidity and more funding for banks to run our operations. Further, increased compliance to prevent abuse of the banking system and to ensure good conduct and fair dealing by the banking community also add to the higher operational costs. Nonetheless, these regulatory costs are what makes banks trustworthy and keeps us relevant in the long term.

Similarly, technology could help us become more efficient in meeting regulatory and compliance objectives. However, technology also adds a layer of investments in order to meet customers' needs and demands. Additionally, technology also introduces new competition in the form of Fintechs and digital banks.

It is imperative for us to continuously balance the competing demands of regulations and technology so that OCBC remains competitive and relevant, now and in the future.

Q: Given the challenging outlook for 2020, what are your top priorities?

A: We are fortunate to be based in Asia, where economic growth potential remains positive in the long term. Given the expected global slowdown, Asia will also be affected in the near term. As such, our near-term priority to navigate the slower economy is the effective management of costs, not just in expenses but also in resource utilisation, to reduce wastage.

We also need to maintain a strong capital level to better prepare us for the downturn and better position us for any opportunities arising. The adage "hoping for the best, prepared for the worst and unsurprised by anything in between" is particularly apt in the current phase of the economic cycle.

Q: How do we create sustainable value for shareholders?

A: The framework used by analysts to assess a bank can be simplified to the acronym CAMEL – Capital needs to be strong and well managed; Assets need to be of high quality with good risk-adjusted returns; Management needs to be effective and strategic; Earnings need to be consistent and diversified; Liquidity needs to be stable and readily accessible. All these factors are crucial for us to create sustainable value for shareholders.

To create a strong CAMEL, we need diversity in businesses, assets and liabilities. Further, we need to run our operations efficiently, deploy our resources optimally and take risks prudently.

Finally, as trust is the raison d'être of a bank, we need to systematically inculcate a positive culture of doing things right and a strong fair dealing conduct of doing the right thing.

Investor Community Engagement

Coverage by over
20
research analysts

Held more than
600
meetings and conference calls with investors, rating agencies and analysts

Organised
OCBC Investor Day
in Hong Kong SAR and Macau SAR – Realising the Power of Merger of Scope

Annual General Meeting in April 2019 with all resolutions passed with average approval rate of more than
98%

Asia's Best CFO
awarded by Corporate Governance Asia to Mr Darren Tan, Chief Financial Officer (OCBC Bank)

Best Investor Relations Company (Singapore)
awarded by Corporate Governance Asia (OCBC Bank)

Delivering Superior and Sustainable Returns

Core Net Profit [(1)]	Dividend Per Share 53 cents (2018: 43 cents)	5-Year Share Price
+10%	+23%	+5%
Core Return on Equity [(1)] from 11.5% in 2018	**Dividend Payout Ratio** from 40% in 2018	**5-Year Total Shareholder Returns**
11.4%	47%	+26%

(1) *Excluding a one-time item.*

Financial Highlights

Group Five-Year Summary

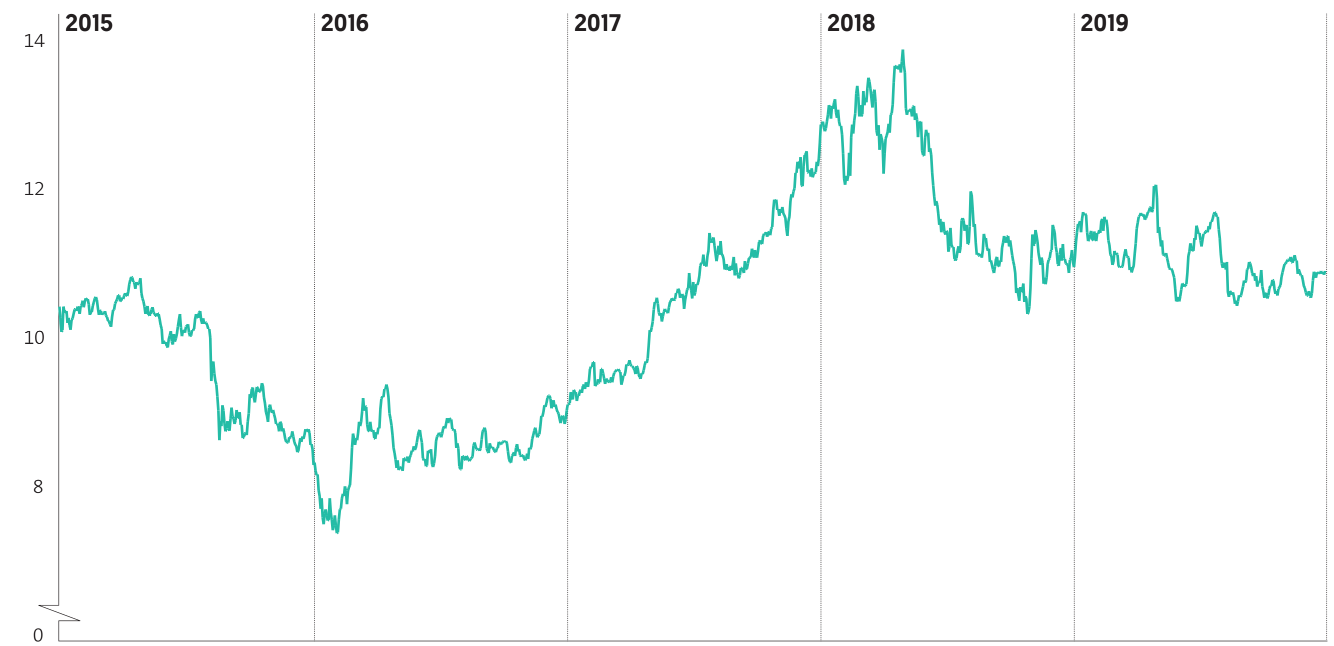
	2019	2018	2017 (1)	2016	2015
Selected Income statement Items (S$ million)					
Total income	**10,871**	9,701	9,528	8,489	8,722
Operating expenses	**4,644**	4,214	4,043	3,788	3,664
Operating profit	**6,227**	5,487	5,485	4,701	5,058
Amortisation of intangible assets	**103**	102	104	96	98
Allowances for loans and other assets	**890**	288	671	726	488
Profit before tax	**5,800**	5,552	5,099	4,275	4,825
Reported net profit attributable to equity holders of the Bank	**4,869**	4,492	4,045	3,473	3,903
Cash basis net profit attributable to equity holders of the Bank (2)	**4,972**	4,594	4,149	3,569	4,001
Selected Balance sheet Items (S$ million)					
Non-bank customer loans (net of allowances)	**262,045**	255,193	234,141	216,830	208,218
Non-bank customer deposits	**302,851**	295,412	283,642	261,486	246,277
Total assets	**491,691**	467,543	452,693	409,884	390,190
Assets excluding life insurance fund investment assets	**404,353**	390,676	378,766	347,911	333,207
Total liabilities	**443,088**	424,151	410,900	370,242	353,079
Ordinary shareholders' equity	**45,662**	40,637	37,528	35,507	33,053
Equity attributable to equity holders of the Bank	**47,162**	42,137	39,028	37,007	34,553
Per ordinary share (S$)					
Basic earnings	**1.12**	1.06	0.95	0.82	0.95
Dividend (cents)	**53.0**	43.0	37.0	36.0	36.0
Net asset value	**10.38**	9.56	8.96	8.49	8.03
Ratios (%)					
Return on ordinary shareholders' equity	**11.2**	11.5	11.0	10.0	12.3
Return on assets (3)	**1.23**	1.17	1.11	1.03	1.14
Dividend cover (times)	**2.08**	2.46	2.57	2.27	2.62
Cost-to-income	**42.7**	43.4	42.4	44.6	42.0
Capital adequacy ratios (4)					
Common Equity Tier 1	**14.9**	14.0	13.9	14.7	14.8
Tier 1	**15.6**	14.8	14.9	15.1	14.8
Total	**16.8**	16.4	17.2	17.1	16.8

(1) 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International).
(2) Excluding amortisation of intangible assets.
(3) The computation of return on assets excludes life insurance fund investment assets.
(4) The Group's capital adequacy ratios for 2019 and 2018 were computed based on MAS' fully-phased in Basel III rules. Prior to 2018, the Group's capital adequacy ratios were computed based on MAS' transitional Basel III rules.

Creating Investor Value

Five-Year Share Performance

OCBC Share Price (S$)



Source: Bloomberg

	2015	2016	2017	2018	2019
Share Price (S$)					
Highest	10.90	9.45	12.59	13.96	**12.14**
Lowest	8.54	7.45	8.98	10.40	**10.51**
Average	9.85	8.60	10.68	12.05	**11.16**
Last Done	8.80	8.92	12.39	11.26	**10.98**
Market Capitalisation (S$b) (based on last done price)	36.2	37.3	51.9	47.9	**48.3**
Ratios (1)					
Price-to-earnings ratio (2)	10.35	10.46	11.24	11.37	**9.96**
Price-to-earnings ratio (based on core earnings) (2)	10.35	10.46	11.24	11.37	**9.79**
Price-to-NAV (number of times) (2)	1.23	1.01	1.19	1.26	**1.08**
Dividend yield (%)	3.66	4.19	3.46	3.57	**4.75**

(1) Price ratios and dividend yield are based on average share prices.
(2) 2017 figures were restated with the adoption of Singapore Financial Reporting Standards (International).

Strong Credit Ratings with Stable Outlook

Aa1	AA-	AA-
Moody's	Fitch	S&P

Ask Vincent

Risk management is becoming increasingly complex. Businesses are no longer just impacted by economic cycles, but also by unanticipated event risks. There is also a growing need to address non-financial risk, brought about by evolving consumer demands and behaviours, as well as digitalisation.

Vincent Choo
Group Chief Risk Officer

Q: How did the Bank manage its credit portfolio through the myriad of headwinds in 2019? How does 2020 look?

A: 2019 was a challenging year during which long-developing event risks manifested in an economic slowdown. The global economy was weighed down by US trade and foreign policies in relation to China and other major economies. Uncertainties from social unrest across multiple geographies and geopolitical events such as Brexit also dampened the financial markets.

In response, we heightened vigilance over our credit portfolio with proactive monitoring for early signs of weaknesses via thematic portfolio reviews and stress tests on concerned sectors. We also diversified our exposure to new markets on the back of underlying trade and commodity flows, and managed growth by focusing on relatively higher-quality customers across our targeted markets. As a result, our portfolio has held up well with asset quality maintained at a satisfactory level.

It remains to be seen how these event risks will evolve and I expect the operating environment to remain challenging in 2020, particularly with the outbreak of Covid-19 which has impacted sectors such as hospitality, retail, transportation and manufacturing. We will stay nimble and be vigilant against the emerging and material risk events and continue to leverage the strength and diversity of our core businesses. Our healthy capital, funding and liquidity position and prudent risk management practices will allow us to pursue our long-term growth strategy and deliver sustainable value to our shareholders and stakeholders.

Q: Sustainability is high on the global agenda but brings its own unique challenges. How is OCBC's progress in the area of responsible financing and managing Environment, Social and Governance (ESG) related risks?

A: As agents of change, banks have a crucial role to play in promoting sustainability. Our sustainability framework guides our approach to embedding responsible and sustainable business practices in the Bank. Specifically, on responsible financing, we have implemented a range of policies and practices to ensure that the financial services we provide do not adversely impact people, communities or the environment.

In 2019, we refined our exclusion list and added four new sector-specific policies for high-risk industries. Our exclusion list includes a prohibition against new financing of coal-fired power plants. We have also set up a dedicated team of ESG specialists to undertake enhanced due diligence on high-risk transactions.

Q: Digitalisation has transformed the banking landscape. How is OCBC navigating these challenges?

There is an increased adoption of emerging technology solutions as part of our Digital Transformation journey. As a result, there is greater dependency and added complexity in third-party engagements as we continue to leverage external parties such as the Fintechs and other ecosystem partners. As such, we have enhanced our policies and procedures to better manage third-party service providers.

To promote the safe adoption of new technologies, we are constantly upskilling our employees' competencies and adopt a proactive risk advisory engagement approach on digital transformation initiatives to facilitate the early management of associated risks. We also recognise that the use of artificial intelligence and data analytics (AIDA) in decision-making models needs to be done responsibly, taking into account the Monetary Authority of Singapore's Principles to promote Fairness, Ethics, Accountability and Transparency (FEAT).

Q: We are seeing increasing incidents of cyber-attacks, data breaches and fraud in the external threat landscape. How is the Bank managing these risks?

Advances in technology and an evolving external threat landscape have heightened the need to protect our clients' data and prevent cyber-crime. The weakening economic environment may potentially lead to more banking fraud.

To manage these risks, we have a comprehensive cyber and information risk awareness programme that includes intensive training and testing curricula for our staff. A new guide on the management of data loss incidents was also established to enhance the robustness of data loss prevention controls and measures. In 2019, we completed a multi-year initiative for the phased deployment of a Fraud Surveillance System. This system monitors transactions involving multiple banking channels and detects internal and external fraud. To raise public awareness, we ran fraud education campaigns and advisories via multiple media channels which have been commended by the Singapore Police Force and the National Crime Prevention Council.

Cyber-attacks, fraud and data loss — coupled with the proliferation of data and hyper-connectivity, are likely to persist as the threat actors grow increasingly sophisticated. We will continue to enhance our cyber threat analysis, vulnerability exploitation and fraud detection capabilities, strengthen our data loss prevention measures, as well as create awareness and train our staff to manage these threats. For instance, we have recently launched the Cyber Certification Pathway for our staff.

Q: Going into 2020, what are the key initiatives you will be taking on?

First, climate change poses an increasingly serious threat to the global economy. Transition to a low-carbon economy could involve shifts in the market and regulatory environment and heighten the risk of stranded assets with deteriorating financial returns. We became a signatory to and pledged our support for the Task Force on Climate-related Financial Disclosures (TCFD) and will progressively work towards the implementation of the TCFD recommendations over the next 12 to 18 months. The transition towards a more sustainable future also creates opportunities for the Bank. We aim to be a leader in sustainable finance by developing a comprehensive and innovative range of solutions that can direct capital flows to projects that promote sustainable development.

Second, interbank offered rates (IBORs) transition to alternative rates will pose challenges to financial institutions globally, across various financial services and products. We have set up an IBOR Transition Office, reporting to a Senior Management Committee chaired by our Chief Executive Officer, to coordinate all transition activities and oversee the implementation plan across the Group. This includes ensuring our clients are appropriately informed and prepared for IBOR transition through fair, clear and prompt client communications.

Lastly, we will continue to use technology and develop data analytics capabilities to enhance and optimise our risk management competencies. This will include the early identification of money laundering and terrorism financing risks, and effective detection of emerging threats.

>4,400 employees
trained in sustainability related topics to date

Cyber Certification Pathway
a new cyber risk, security and assurance training programme to train up to 200 of our staff to be cyber risk analysts, cyber security specialists and cyber auditors in the next 3 years

Best Risk Management Award (Bronze)
awarded by Singapore Corporate Awards 2019

Caring for Our Community and the Environment

Giving back to the community is an integral part of our corporate culture. By supporting the community, we help to shape a more sustainable society. Through our #OCBCCares Programme, we offer sustainable support where it is most needed and do our part to tackle the climate crisis.

Donations

S$1.8m

To fund projects that address critical unmet needs in society and to support ground-up projects that enhance sustainability.

Volunteers

52,513 hours

Contributed by 11,347 volunteers over 982 community activities, led by 1,555 employees who were able to hone their leadership skills.

OCBC Cycle

9,100 cyclists

Took part in OCBC Cycle in Singapore and Kuala Lumpur, which promotes a healthy, active and environmentally-friendly lifestyle.

Impacting lives

138,988 individuals

Have been helped under our #OCBCCares Programme.

We support vulnerable seniors, children and youths, people with special needs and low-income families.

Caring for the Environment

80m kg of CO_2

Will be stored in the lifetimes of 2,000 highly endangered trees planted at the OCBC Arboretum in the Singapore Botanic Gardens.

We planted close to 3,000 trees across Singapore, Malaysia and Shanghai.

How OCBC is Supporting the Community during Covid-19

1


2


3


4


1. 7,000 staff in Singapore, including our Chairman and Group CEO, penned individual appreciation cards to show support for healthcare staff at Tan Tock Seng Hospital and the National Centre for Infectious Diseases.
2. In the spirit of #OCBCCares, we gave the hospital staff what they wished for, in the form of 20,000 bottles of bird's nest supplements and more than 45,000 packets of drinks and snacks.
3. Healthcare staff were also treated to 14,000 cups of bubble tea as they worked tirelessly to keep Singapore safe.
4. We contributed S$110,000 to support 3,280 individuals from our five charity partners – providing food packages for vulnerable seniors; vitamins and cleaning kits for needy households; and increasing cleaning frequency for Homes and Centres.
5. We donated RMB 1 million (S$200,000) to buy medicine, medical supplies and equipment for communities in China that are affected by the Covid-19 outbreak. Our donation was made through the Singapore Red Cross.
6. Our staff volunteers in Hong Kong SAR made 3,200 bottles of hand sanitisers and 300 fabric face masks, which were distributed to our charity partners.

Strategic Initiatives

We launched the OCBC-NTUC First Campus Bridging Programme in Singapore to help make preschool education free for children from low-income families. OCBC Bank and staff contributed S$1 million to fund two years of childcare fees, after government subsidy.

The five-year programme, from 2020 to 2024, can help 2,500 children.

We contributed S$4 million to help set up the OCBC Arboretum at the Singapore Botanic Gardens – as a climate action initiative. The forest of 2,000 highly endangered dipterocarp trees can store as much as 80 million kg of CO_2 in their lifetimes.

This first-of-its-kind high-tech arboretum taps on an Internet of Things (IoT) system to monitor tree growth. 200 staff volunteer and their families helped plant the first 160 trees.

Wang Ke, CEO of OCBC Wing Hang China and Loh Tuck Wai, Singapore's Consul-General in Shanghai, presented prizes to the winning team from Pudong District Experimental Primary School at the Little Inventor Programme 2019. The annual competition, organised by OCBC Wing Hang China, teaches children to care about protecting the environment. Students from migrant schools had to come up with innovative ideas on climate action solutions after hearing from environmental protection and innovative thinking experts.

OCBC Bank put its signature OCBC Cycle Singapore 2019 event through a rigorous green audit process, and became the first event to earn the Singapore Environment Council's Eco Event certification. The event saw one tree planted for every 50 participants. Single-use plastics were not used for this year's event packs, as participants received their event bibs in wood-free paper envelopes, and took home their event medals wrapped in tracing paper.

Caring for Our Community and the Environment

How OCBC is Addressing Gaps in Society

Singapore

1 Supporting the OCBC-NTUC First Campus Bridging Programme, staff volunteers from our Wealth Management team conducted a financial literacy workshop for parents, to help them understand how to manage their finances effectively. Armed with good money management habits, parents can better plan and provide for their families' needs.

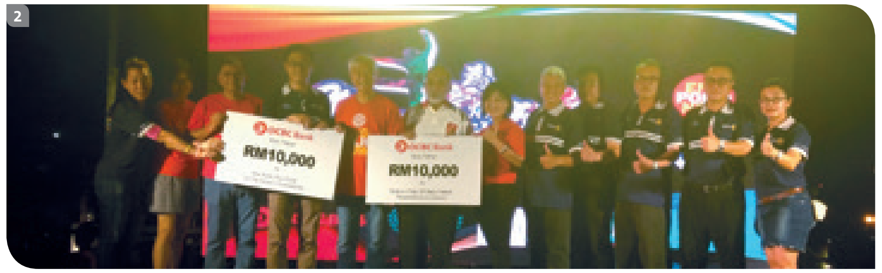
20 similar workshops will be conducted for parents whose children are enrolled in our OCBC-NTUC First Campus Bridging Programme over the next five years.

2 We conducted a coding and cybersecurity workshop for underprivileged youths.

This involved in-house development of an augmented reality (AR) app, videos and games to make understanding of cybersecurity threats and coding fun and engaging for the students.

3 Staff volunteers shared their life experiences to help disadvantaged youths understand that their lives are not defined by grades alone. Through various activities, the youths learnt the importance of perseverance when facing challenges and disappointments.

Malaysia



1 Staff volunteers dedicated 330 hours over three months to help 45 children from indigenous families to improve their English and financial literacy proficiencies.

The lessons were taught using interactive board games and online tools.

2 Staff volunteers partnered the Rotary Club to mobilise 1,000 members of the Batu Pahat community to raise funds to provide polio vaccines for over 4,100 children; and treatment subsidies for 20 renal patients.

Greater China

1 OCBC volunteers helped furbish the newly launched OCBC Wing Hang China Little Library in a boarding school in Inner Mongolia.

Volunteers donated and purchased books, stationery and learning materials for preschool children from disadvantaged families.

2 Staff volunteers conducted a photography session for vulnerable seniors to encourage them to continue to take pride in their personal grooming. We presented each of them with their portrait photos as keepsakes.

3 Our volunteers helped children with autism to improve their cognitive and mobility skills.

4 Staff volunteers organised an art jamming party for children with special needs, to help improve their motor and cognitive skills.

Indonesia

1 Supporting a national initiative to raise the country's financial literacy index to 75%, staff volunteers conducted financial literacy workshops for close to 2,560 participants including students, housewives, employees and entrepreneurs across Jakarta, Bandung, Tangerang, Depok and Cirebon.

2 We helped build a community centre providing public toilets, learning space and health services for close to 500 families who were affected by the earthquakes that hit Lombok on 29 July and 5 August 2018.

Caring for Our Community and the Environment

How OCBC is Supporting Climate Action Fight

Singapore

1 We kicked off our climate action campaign—focusing on carbon storage and recapture, and what OCBC has done to help fight climate change.

2 The #OCBCCares Environment Fund, introduced in 2017, supported four projects ranging from plastics reduction, recycling to aquaponics.

We held our inaugural Green Pitch event which attracted 50 members of the public to present their climate action solutions. Five winning solutions received funding for implementation from the #OCBCCares Environment Fund.

3 To make the Lunar New Year tradition of giving red packets more sustainable, we switched to using FSC-certified paper; and the plastic holders for red packets were changed to recyclable ones. We incorporated design elements featuring forestation, clean waters and quality air to drive the climate change message of reducing carbon emissions.

In Singapore, we went one step further by encouraging customers to drop any used or excess red packets—not just OCBC ones—into recycling boxes located at all our branches. These were pulped for a second lease of use. The pulp generated from more than 4,000 kg of red packets collected can be used to make 10,411 cardboard boxes.

We will progressively extend the recycling of red packets to our other markets.

Malaysia

1 Staff volunteers collected more than 340 kg of plastic bottles, straws, fishing nets and general waste in a coastal clean-up activity along Pantai Kelanang in Selangor.

2 100 staff volunteers planted 580 mangrove saplings at the Kuala Selangor Nature Park, as part of our climate action efforts.

Greater China

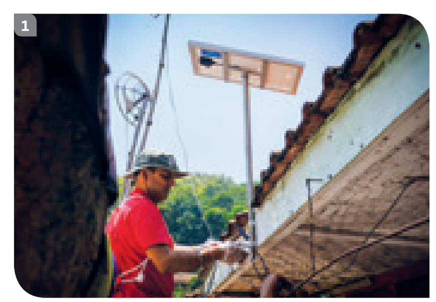
1 To combat climate change, 40 volunteers planted trees at the Dongtan Wetland Park, Chongming Island.

2 14 volunteers and their family members planted 20 tree saplings in the Qingcheng district of Qingyuan, Guangdong to support carbon recapture. Over the next 10 years, these trees can store as much as 1,240 kg of CO_2.

3 Staff volunteers embarked on a marine sustainability visit with 18 students to better understand the impact of climate change and how they can adopt climate-friendly lifestyle changes.

4 We organised a bank-wide fashion recycling week and collected close to 200 pieces of good-as-new clothes which were donated to the St James Settlement organisation. Diverting the clothes away from the incinerator helped reduce waste and carbon emissions.

Indonesia



1 Staff volunteers from Bank OCBC NISP and OCBC Singapore installed solar panels to provide renewable-energy lighting for 100 needy households in South Bandung.

2 Staff volunteers from Bank OCBC NISP and Great Eastern Indonesia partnered the local community in a clean-up activity along the Ciliwung River in the Jagakarsa, South Jakarta area – collecting more than 1,164 kg of waste. They also planted more than 100 trees to help prevent soil erosion.

Bonding on Wheels – OCBC Cycle Singapore and Kuala Lumpur

OCBC Cycle Singapore

Nine Southeast Asian teams, 15 local cycling club teams and six corporate teams competed in the fifth edition of the OCBC Cycle Speedway Championships.

OCBC Cycle entered its eleventh edition and saw many participants signing up for more than one category. Close to 6,800 cyclists were out in full force at Singapore Sports Hub for The Straits Times Ride, The Sportive Ride, Speedway Championships and Mighty Savers Kids Ride categories of the event.

The Philippines rode a near-perfect race in the OCBC Cycle Speedway Southeast Asia Championship as they beat the strongest field to date with Malaysia and Vietnam finishing second and third respectively.

The GlaxoSmithKline cycling team executed an excellent strategy in the OCBC Cycle Speedway Corporate Championship to launch a powerful sprint in the final lap. Lendlease Retail narrowly missed out on the top spot, finishing in second place. Advanced Micro Devices Singapore took third place on the podium.

The OCBC Cycle Speedway Club Championship also played host to an action-packed finale, as Specialized Royal Mavericks Team B managed to squeeze past their opponents in the final stretch and successfully held off a spirited challenge from Matador Racing and debutantes CyclingTraining.cc who finished second and third respectively.

Minister for Culture, Community and Youth, Ms Grace Fu, was the Guest-of-Honour at The Straits Times Ride. Joining her in the flag-off party were Deputy Chief Executive Officer, Sport Singapore, Dr Chiang Hock Woon; Chief Financial Officer, OCBC Bank, Mr Darren Tan; and Executive Editor, The Straits Times, Ms Sumiko Tan. After flagging off The Straits Times Ride, Ms Fu also joined participants in the morning ride.

Thirteen companies took part in The Business Times Corporate Rally, which offered two ride categories: The OCBC Cycle Speedway Corporate Championship and the OCBC Cycle Corporate Chase. The inaugural OCBC Cycle Speedway Corporate Championship allowed eight amateur competitive corporate teams to experience the same route as professional cyclists from Southeast Asia's national teams. The OCBC Cycle Corporate Chase, which was into its second year, saw 14 corporate teams compete in the same 42km route used for The Sportive Ride.

Building on the green efforts implemented during the previous edition, the OCBC Cycle 2019 introduced an expanded suite of initiatives. Most notably, the event saw one tree planted for every 50 participants. Additionally, single-use plastics were not used for this year's event packs, as participants received their event bibs in wood-free paper envelopes, and took home their event medals wrapped in tracing paper. OCBC Cycle is the first Singapore event to earn the Singapore Environment Council's Eco Event certification.

OCBC Cycle Singapore in Numbers

6,800 participants

788 staff

140 trees planted

40,000+
single-use platics removed from our event packs

183 kg
of banana peels composted

196 kg
of plastic materials recycled

212 kg
of metal cans recycled

Kuala Lumpur OCBC Cycle

The event was flagged off by KL Mayor Dato' Nor Hisham Dahlan along with Dato' Ong Eng Bin, CEO, OCBC Bank (Malaysia) Berhad and Chairman of the KL OCBC Cycle 2019 Implementation Committee Datuk Naim Mohamad.

21% of the 2,300 participants were women, marking an increase from the 19% last year. This increase resulted from a conscious effort to increase female participation, which included the introduction of a new 21km category, alongside the regular 42km category.

Kuala Lumpur OCBC Cycle

2,300 participants

26 countries

450 staff

Featured an environmental theme for the first time, which saw several environmentally-friendly practices being undertaken including reducing or eradicating plastic packaging and composting waste products

Ask Wei Hong

I see tremendous wealth being created here in Asia. There are a lot of surprising opportunities, despite geopolitical tensions.

Ching Wei Hong
Deputy President and
Head of Global Wealth Management and Consumer Banking

Q: Wealth management is one of OCBC's key business pillars. How has the wealth management franchise fared despite the uncertainties in the market?

A: The growth of our wealth management business has been strong despite the market volatility and uncertainty in 2019. The gross wealth management fees came in at a new record of S$1.036 billion and assets under management (AUM)[1] hit S$227.44 billion at the end of the year.

The wealth management business in OCBC comprises the affluent segment under the OCBC Premier Banking platform, the high net worth segment under OCBC Premier Private Client, and Bank of Singapore. While Asia's growing wealth presents lots of opportunities in these segments, it's our strategy of combining superior market research, wealth advisory and customer experience with strong digital capabilities that has made OCBC the leading player.

Staying true to meeting customers' needs, being relevant and focusing on what is right and appropriate for them is key. Unfortunately there is a lot of product pushing in this industry, so we have long taken a different approach not to do that and, instead, focus on customers' needs and life goals. That's where conversations with our financial advisers start. Only after that are the appropriate products and solutions recommended. Many banks claim they do this, but not many truly do it. For us, this is something we are deeply committed to.

(1) Includes the AUM of OCBC Premier Banking, OCBC Premier Private Client, Bank of Singapore and OCBC Wing Hang Premier Banking.

Bank of Singapore's subsidiary in Luxembourg and London will capture opportunities in Europe.

We officially launched an Accredited-Investor platform in 2019 – OCBC Premier Private Client, to serve the high net worth individuals who have more sophisticated investment needs. This new business segment has achieved very good results as it complements Bank of Singapore in serving clients who prefer an alternative business and service model.

The other engine of growth in our wealth management business is Bank of Singapore. Bank of Singapore has operations in four regions – Southeast Asia, Greater China, Europe and the Middle East. All regions performed well, particularly the Asian markets.

Bank of Singapore's franchise is no longer seen as a regional franchise but is recognised as a global one. It has lived up to our tagline of being Asia's Global Private Bank.

Bank of Singapore clients trust the brand name, recognise our strong credit ratings, and enjoy the benefits of being part of the OCBC Group. Clients not only have access to the broad range of best-in-class wealth and financial products, with many of them being business owners themselves, they are supported by OCBC's business banking and investment banking services.

This year, Bank of Singapore made strategic inroads into one of the fastest growing economies in the world, India. We formed a strategic partnership with Edelweiss Group, one of India's largest diversified financial services groups. This partnership gives clients of both entities access to Bank of Singapore's wide range of global investment solutions, and Edelweiss' wealth solutions and investment opportunities in India.

In April 2019, Bank of Singapore officially established its wealth management subsidiary, BOS Wealth Management Europe, in Luxembourg (and branch office in London). This further positions us to capture opportunities in Europe.

Q: How have your digital transformation efforts made a difference to customers?

A: We always start with our customers. We ask ourselves every day how we can better interact with and serve our customers.

Today, consumers engage a wide range of services largely through their mobile phones. Hence everything we create is 'mobile first' — making our mobile banking services simple, easy and convenient to use. We revamped our mobile banking app to

Delivering Greater Customer Value

>2x
increase in monthly investments via OCBC RoboInvest

15,000
sign-ups over two months on STACK, a new digital multi-party, real-time points exchange loyalty platform

OCBC Pay Anyone users will be able to access
1.7m
merchants in Thailand and Japan on Singtel's VIA mobile payments network

19% growth
in OCBC Securities revenue from collaboration across the OCBC Group

World's Best Consumer Bank
awarded by Global Finance to OCBC Bank

Best Private Bank in Singapore
awarded by Professional Wealth Management and The Banker to Bank of Singapore

Best Retail Bank Macau
awarded by Global Banking & Finance Review to OCBC Wing Hang Bank (Macau)

Best Retail Broker
awarded by Securities Investors' Association of Singapore's Investors' Choice Award to OCBC Securities

Top ASEAN SGX-ST Member (Top 5)
awarded by Singapore Exchange to OCBC Securities

Ask Wei Hong

include a new user interface and experience, making it simple, intuitive and at the same time, a delight to use. What's new and a first in the market is the ability of our customers to have a consolidated view of their account transactions and cards spending to help them manage their finances. Leveraging AI, our customers can have 'digital conversations' with the app to pay bills, check account transactions, track and manage expenses. Another first is the ability to scan a QR code using the OCBC Pay Anyone app to withdraw cash at our ATMs in Singapore, enabling customers the convenience of going cardless.

While we roll out market leading digital capabilities, we do not neglect the experiences our branches deliver to our customers. I still believe that the human touch in consumer banking cannot be replaced entirely by digital channels. Having warm, friendly and engaging frontline staff at our branches remains a strategic component. We have also enabled our staff with digital tools and solutions to increase efficiency and convenience.

Our next generation ATMs were rolled out to 23 branches in 2019. These ATMs allow us to migrate high volume counter services to a self-service channel, thus helping customers save time. Some of these services include cash withdrawals of up to S$200,000 at one go, the ability to choose note denominations, and making simultaneous notes and coins deposits. Digital service kiosks, located in our branches and supported by our digital ambassadors, also help to speed up the delivery of high-demand services such as activating overseas card usage and updating personal and account details.

Branch Manager Jaslyn Low (second from left) won the Service Excellence Champion award by the Association of Banks in Singapore (ABS), the third consecutive year that our representative has won the top service award industry. And for the fifth year running, we had the highest number of service winners out of all the financial institutions with 2,279 employees being recognised.

Q: How has 2019 been for the banking business?

A: The consumer banking business achieved another record performance year. The wealth management business was the largest contributor with strong numbers in both interest income and fees. OCBC Premier Banking and OCBC Premier Banking Private Client, as well as Bank of Singapore, were able to successfully tap the rising wealth creation in Asia.

Despite intense competition in the Singapore home loans market, we saw a significant lift of 30% in new loans bookings in 2019 compared to the previous year. We also noted very encouraging response from our digital channels such as our chatbot, Emma, OneAdvisor Home and other online sources with four times increase in loan take-up.

In the digital space, the OCBC OneAdvisor Home portal is an important enabler for us to better serve our customers and our real estate ecosystem partners. This digital portal, launched in 2018, now hosts the largest residential property listing in Singapore with more than 150,000 properties. Through this portal, consumers can assess their affordability for their home purchase and select their dream home. At the same time, our agents benefit with tools which we have built and customised for seamless connectivity to us.

We don't compete on interest rates alone. Our mortgage specialists are equipped with digital tools and trained to provide the most appropriate advice to deliver the best customer service.

Q: What were some of your biggest challenges in 2019?

A: We are determined to continue innovating and to constantly push the boundaries in our digital transformation journey. To do this, we have to change the way we operate and how we develop our staff. It is very important for us not to leave any customer or staff behind in today's fast evolving digitalised world. In our branches, we converted many bank tellers to become digital ambassadors to assist customers with the new digital channels and services. In the workplace, we continue to train our staff in new disciplines such as design thinking, digital technology, data analytics and artificial intelligence. All product managers are today conversant with API management and customer experiential design. Agile squads are formed, comprising staff with a mix of expertise and domain knowledge, to get new products to the market in a very short span of time.

Q: What will be your focus for 2020?

A: We will accelerate our digital agenda, centred around customers, and drive our wealth management business anchored on our corporate values of fair dealing and integrity. We are starting 2020 from a position of strength. We will continue to innovate to deliver digital firsts that are embedded in customers' day to day life even as we make the 'click-and-mortar' experience at our branches highly differentiated and best-in-class.

We will forge more partnerships to create relevant ecosystems that will deepen our relationship with our customers, thus creating strong brand loyalty towards OCBC Bank.

Geographically, OCBC Premier Banking will continue to grow our offshore franchise; Bank of Singapore will deepen its presence in Greater China and Europe.

Head of Wealth Management Singapore, Tan Siew Lee (left) offers advice to parents to help them better manage their family's finances.

Making Financial Literacy Available to All

Our Wealth Management team in Singapore will continue to conduct financial literacy workshops every three months for low-income parents to help them better understand and manage their family finances. This added support is part of our OCBC-NTUC First Campus Bridging Programme that will make preschool education free for children from these low-income families over the next five years from 2020 to 2024. OCBC Bank will fund an average of two years of childcare fees – after the government subsidy, for children of union members with monthly household incomes below S$4,500, who are new enrolments and commence classes at My First Skool from 1 January 2020. An estimated 2,500 children will benefit from the five-year programme.

Helping Young Customers

We launched the first FRANK by OCBC survey, the FRANKly Asked Questions, to understand and track psychographic variables of millennials such as their values, attitudes, interests and desired experiences. A total of 866 students and young working adults were surveyed and the results will help in developing more comprehensive programmes on financial literacy and beyond to meet millennials' holistic needs.

Driving Digital Banking

Enabled voice banking on the AI-powered
OCBC Banking Assistant

Eliminated physical hardware tokens with digital
OCBC OneToken

Rolled out
instant digital applications and approvals
for cards and personal loans

QR code cash withdrawals
at ATMs with OCBC Pay Anyone

Branch Digitalisation

Transformed
76
branch service staff to perform digital roles

Migrated
31%
of over-the-counter services to new ATMs

100%
of banking relationships at branches started digitally

Ask Kun Kin

Through in-depth customer analytics and comprehensive product understanding, we are able to provide customers with bespoke solutions and ideas to optimise their investment returns or financing costs and capture opportunities across jurisdictions.

Lam Kun Kin
Head of Global Treasury

Q: What were the bright sparks for you in 2019?

A: Despite the numerous economic headwinds in 2019, Global Treasury performed very well with total revenue increasing by 20 per cent, buoyed by higher Sales and Trading income. Strong focus on widening the structured investment products offering delivered good results. Business diversification improved with key overseas Treasury Centres growing by 33 per cent, contributing to total overseas revenue reaching 52 per cent of overall treasury results.

Our Global Investment Banking arm also registered strong growth with 36 per cent growth in revenue. Strong investment appetite in high-grade credits and our high standing among corporate issuers enabled us to successfully launch long-dated and perpetual bond issuances, helping us to gain significant share of the SGD bond market.

Through in-depth customer analytics and comprehensive product understanding, we are able to provide customers with bespoke solutions and ideas to optimise their investment returns or financing costs and capture opportunities across jurisdictions. We actively leverage technology to equip each and every one of our sales staff with data analytics tools to achieve better customer service and engagement. Our customers get a faster turnaround time in transactions and receive timely and relevant market information that best suits their needs.

Q: What is your outlook for 2020?

A: Market nuancing for 2020 has shifted towards greater expectation of economic green shoots. Global monetary policy easing and targeted fiscal stimulus have provided some stabilisation to the manufacturing sector, coupled with expected increase in activity from the Phase One US-China trade deal.

Geopolitical risk and tension will likely pick up in 2020. US election manoeuvrings may result in unexpected US government policy stance or military action in geopolitical hotspots like the Middle East, North Korea and even Hong Kong SAR or Taiwan. Geopolitical differences could result in bouts of sudden market volatility and caution should be exercised against market exuberance.

Financial markets are likely to stay mildly positive as investors continue to hunt for yield in bonds, equities and private markets amidst a low interest rate environment. Corporate flows will however remain challenging if trade volume does not turn around.

Q: What are the key challenges ahead?

A: Banking and markets industry faces numerous disruptive challenges and changes. The award of digital bank licenses in increasing number of countries will increase competition significantly including the financial market product fronts. Greater innovation and differentiation through smart adoption of Fintech are critical in improving both product proposition and service level.

Commercial and financial activities will go through fundamental changes with imminent transition of rate benchmarks towards risk free transacted rates. Banks and all spectrum of customer segments from retail, private bank, corporate to institutional investors have to step up and manage legal, accounting, operational and system changes which impact businesses across derivatives, loans, debt issuances and liquidity management.

Medium-term growth drivers like Environmental, Social and Governance (ESG) parameters will increasingly play an important role in the global marketplace. Strong alignment from banks and their customers to champion ESG supportive investments and financing activities will provide important impetus to promoting long-term sustainability.

Q: What are your targets for 2020?

A: Apart from our core markets in South East Asia, we are looking to further strengthen our capabilities and presence in treasury and investment banking in the GBA region.

We target to optimise our liability management with pro-active repo and collateral optimisation, attract and onboard more digital clients and transform the Institutional Sales business to focus more on structured solutions. Our Trading unit aims to avail all financial products on digital platforms by 2021 and build intelligent systems to price and execute optimally for our clients.

Importantly, we are working to upgrade and train our employees to acquire the key competencies needed to thrive in the challenging environment ahead.

Q: Apart from doing well in business, how is your team doing good?

A: We believe strongly in giving back to our communities and it is important to do well and do good. We have been supporting MINDS since 2015, from spending time with the beneficiaries via movie outings to raising funds for the purchase of hearing aids. In 2019, we helped to decorate the fence around the MINDS-Woodlands Gardens School to mark World Down Syndrome Day. On separate occasions, we also brought beneficiaries to watch the Disney movies Abominable as well as The Secret Life of Pets 2. One of the big highlights for the volunteering staff was bringing the beneficiaries to play at the Suntec SuperPark. It was very heart-warming to see so many beneficiaries enjoying themselves trying different activities such as street basketball, bowling, pinball, soccer and even the flying fox.

Deals

Refinancing and additional expansion funding package of S$8.7billion for Marina Bay Sands – the largest syndicated loan financing transaction in Singapore to date.

Acted as financial advisor on S$3.5billion of M&A transactions, including the $203million sale by Chuan Hup Holdings Ltd of PCI Ltd to Platinum Private Equity, and the merger of OUE Commercial REIT and OUE Hospitality Trust to create an enlarged REIT with market capitalisation of S$2.9billion.

Acted as Sukuk Sustainability Framework Adviser, Sole Lead Arranger, Joint Lead Manager, Joint Bookrunner and Shariah Adviser for Edra Solar Sdn Bhd's first solar plant Sukuk, Malaysia's first ASEAN Sustainability Sustainable and Responsible Investment Sukuk and first Solar Socio-Agricultural Sukuk.

House of the Year, Singapore
awarded by Asia Risk

Best Derivatives House, Southeast Asia
awarded by Alpha Southeast Asia

Best FX Bank for Corporates & FIs, Singapore
awarded by Alpha Southeast Asia

Best FX Bank for CCS, IRS, Forward & Options Hedging (Corporate, FIs & SMEs) Singapore
awarded by Alpha Southeast Asia

Singapore Bond House
awarded by IFR Asia

Best Loan Adviser, Malaysia
awarded by The Asset Country

Ask Linus

We focus on building our capabilities to support the transformation and growth of SMEs, which are the backbone of our core markets.

Linus Goh
Head of Global Commercial Banking

Q: How are you helping SMEs embrace the sustainability agenda?

A: Sustainable businesses are redefining the corporate ecosystem and many small and medium-sized enterprises (SMEs), as part of regional or global supply chains, are beginning to examine how they can remain relevant and economically viable for the long term.

Our approach is to understand how our SME customers are addressing sustainability within their businesses. We want to work with them to identify initiatives which can bring about meaningful change towards sustainability. This is not a simple task because of the wide range of industries that our SMEs participate in and the varying levels of readiness across the markets that they operate in.

That is why we have identified 100 companies that we believe have the potential to be early movers which can lead the change within their respective industries. We are working with them to define how we can support them through green financing and advisory services to establish precedents for each industry which would encourage their peers to follow suit.

Tiong Seng Holding's S$70 million green loan from us, a first for a construction and civil engineering company in Southeast Asia, is one such example. This loan was to finance construction projects that have clear environmental benefits leveraging their capabilities in pre-cast building and sustainable building materials.

We have also taken this effort beyond Singapore. Our Yangon branch partnered Shwe Taung Group on a US$44 million green loan—the first green loan in Myanmar—for the refinancing of their Junction City Shopping Centre in Yangon's downtown. This landmark transaction signals an important shift towards sustainability in the country at this crucial stage of economic development, and we believe it will spur other businesses to join us in this journey.

In our work with start-ups, we are happy to note a growing number of newly incorporated businesses setting out with a clear sustainability-based purpose and business model. Sustainability, to them, is not an afterthought. An example is Third Wave Power, which was established to develop solar-powered products to provide viable alternative energy sources for off-grid locations in countries like India, Africa, the Philippines and Indonesia.

Lighting Up Rural Regions with Solar Power

Electricity supply can be unreliable or even non-existent in some regions, and that is where Singapore-based Third Wave Power, helmed by Mr V S Hariharan, has done a world of good. The company's clean, solar-powered solutions have lit up off-grid locations in India, Africa, the Philippines and Indonesia, improving lives and increasing productivity in the process. Prices are affordable and Third Wave Power even works with micro-financing institutions so that its customers can pay in instalments. It is also a pioneer in combining solar and the Internet of Things – two strong, interconnected trends – which the company will use to develop smart solar-powered applications. In recognition of and to further support its efforts, a special Sustainability Award was given to Third Wave Power at the Emerging Enterprise Awards 2019 which we co-organised with The Business Times.

Strong Regional Growth

18% growth
in business in regional healthcare and education services

>$500m
in new government-backed loans to SMEs in Singapore, Malaysia and Hong Kong SAR representing 21% growth

26% growth
in business in Hong Kong SAR

2x growth
in business venture loans to support fast-growing and innovative businesses

Growth in Digitalisation

Proportion of business customers who are digital customers
65%
2018: 62%
2023 target: 70%

>90%
of new bank accounts are opened digitally

4x growth
in the number of customers transacting trade online

Ask Linus

Industry Firsts

Enabled customers of Josiah Montessori to pay their bills
via PayNow through SGQR
— a first for early learning centres

Availed to Hoi Hup Realty the
first green loan
(S$332.5 million club loan) in Southeast Asia's hospitality industry

First to enable start-ups to open a bank account on the
same day
that they incorporate their business

Q: How are you helping SMEs in their digital transformation journey?

A: Our digital strategy starts with delivering solutions that address the pain-points and needs of entrepreneurs and their businesses. We worked with our customers to overhaul the account opening experience by enabling them to open a business account instantly online, and further, to combine the online incorporation of their business with the online business account opening on the same day–both firsts in Singapore.

This enables start-ups and SMEs to get their businesses started as quickly as possible, following which we support them with 'beyond banking' services to run their businesses. We were the first to introduce a one-stop digital business dashboard to SMEs in Singapore that is anchored on data analytics and artificial intelligence, providing business owners with a holistic view of their business performance. This integrates information from multiple business applications covering the core functions from accounting to marketing, enabling them to make more timely and informed decisions on the go. There is a lot more potential for us to develop in the 'beyond banking' space. E-invoicing and cashflow forecasting are two areas that we are working on so that we can help SMEs better manage their working capital.

We have also begun to deliver more tailored industry-based solutions. In the healthcare and education industries, we have helped customers with solutions around how they collect, how they pay, and how they manage their invoicing and reporting. One example is how we have partnered our SME customer Taidii to enable digital student enrolment, record management for regulatory reporting and fee collection on a cloud-based preschool management platform for their network of early childcare businesses.

The S$332.5 million green club loan to Hoi Hup Realty was used to part finance their acquisition of luxury hotel Andaz Singapore.

(From left) Mr Wong Wei Kong, editor of The Business Times; Mr Linus Goh, head of global commercial banking at OCBC Bank; Mr Heng Swee Keat, Deputy Prime Minister and Minister for Finance; and Mr Ong Pang Thye, managing partner of KPMG Singapore; cutting a cake in celebration of the 25th anniversary of the Enterprise 50 Awards.

Q: How would you rate the progress of internationalisation by SMEs?

A: Almost half of our SME customers today have expanded beyond their home markets. Across industries, we have found start-ups and small businesses looking towards expansion even in the early stages of growth. Increasingly, businesses start with an international business model from day one.

The push into overseas markets is growing in importance especially in the services industry. Our customers in the education and healthcare industries have had strong cross-border flows in 2019. For instance, we worked with MindChamps PreSchool, one of Singapore's leading premium preschools, to finance its acquisition of early learning centres in Australia.

Younger and smaller companies, especially fast-growth companies, venturing overseas need a lot more support. Our ability to work with this segment, understand their ambitions, advise them and support them in going overseas has led to us being the leading provider in business venture loans.

Tailored Covid-19 Relief Measures for SMEs

Around 20% of the 4,000 SMEs that we reached out to as at mid-March 2020 indicated that they may need some assistance amid the Covid-19 outbreak. Declining revenue particularly for tourism and retail-related businesses from a drop in footfall was the initial concern, especially when coupled with the need to manage high operating costs. SMEs in manufacturing, wholesale trade and distribution, logistics, construction and services also cited disruption to global supply chains and demand. Besides extending targeted relief measures such as principal moratoriums, bridging loans and additional working capital, we are helping our SME customers to tap on digital solutions to manage their cash flow better and to improve their access to new customers and markets.

Celebrating SMEs' Successes

>800 SMEs
have celebrated their successes with us over the years at the Entrepreneur of the Year Award, Enterprise 50 Awards and Emerging Enterprise Award which we sponsor

2 in 5
Emerging Enterprise Award finalists and winners from the last three years have received funding from institutional investors

Asia's Best Bank for SMEs
awarded by Euromoney

ASEAN SME Bank of the Year
awarded by Asian Banking & Finance – 9th year in a row

Best SME Bank in Southeast Asia
awarded by Alpha Southeast Asia – 5th year in a row

Best Transactional Banking Online Platform
awarded by Alpha Southeast Asia – 2nd year in a row

Best Digital Trade Finance Platform Initiative, Application or Programme
awarded by The Asian Banker

Ask Elaine

We continue to build strong partnerships with our customers and support them across the OCBC network.

Elaine Lam
Head of Global Corporate Banking

Q: How did you help large corporations cope with the geopolitical tensions of 2019?

A: Many large corporations remained cautious amid trade tensions and rising geopolitical concerns spilled over from 2018. Global and regional trade activities slowed down, impacting our trade finance businesses.

Despite this climate, we registered strong growth and continued to onboard new banking relationships. We strengthened our partnerships with existing customers and supported them across the OCBC network as they expanded into new markets.

Leveraging our sector expertise, we facilitated regional trade and investment flows along the active China-ASEAN corridor, primarily across Malaysia, Indonesia, Thailand and Vietnam. We also assisted customers in their ventures outside of Asia into developed markets such as the United States, Australia and the United Kingdom.

Our commodities business deftly navigated global headwinds to be ranked among the top three commodities banks in Asia Pacific (ex-Japan) in Refinitiv's Commodities Bookrunner league table in 2019.

Q: What opportunities lie ahead?

A: We see growth opportunities in infrastructure-related sectors such as power, transportation and telecommunications.

Notably, sustainable financing is set to further pick up pace; it is no longer a niche activity, but a mainstream one. Building on our strong track record, we will continue to encourage more customers to join us on the sustainable journey and support them in drawing up their sustainability frameworks and strategies.

Another area we want to focus on is to structure deals through more collaborative partnerships. One such example is how we partnered China Export & Credit Insurance Corporation (Sinosure) on sustainable projects under the Belt and Road Initiative (BRI). In 2019, we closed three deals to support Chinese corporates' exports into the ASEAN region under this partnership.

Q: How can technology make an impact on large corporations?

A: Digital transformation is gathering pace amongst large organisations, both in the private and public space, to drive efficiency and enhance customer experience. We see a growing need for more partnerships to offer new solutions amidst emergence of digital platforms and enablers such as mobile authentication, APIs (Application Programme Interfaces), QR (Quick Response) codes and PayNow that facilitate new business opportunities.

We topped two sustainable finance league tables, rounding up a year that has seen us strengthen our commitment to sustainability, and helping more customers go green.

Ms Elaine Lam, Head of Global Corporate Banking of OCBC Bank, and Mr Zha Weimin, Executive Vice President of China Export & Credit Insurance Corporation (Sinosure), inked the Framework Agreement of Cooperation in April 2019, to formalise a partnership that will see both companies assessing BRI projects and investment opportunities, and collaborating to boost trade and investment cooperation between both countries. Sinosure will provide insurance coverage for OCBC's financing activities of sustainable projects or other BRI developments.

For instance, we partnered Republic Polytechnic on the first PayNow initiative for an educational institution to enable its students to pay their school fees through the funds transfer service. CPF Board also launched the Contribute-As-You-Earn scheme, which enables self-employed persons to make small, regular contributions to their Medisave accounts, as and when they earn a service payment. We are proud to be an integral part of these digital transformation efforts.

As a leading player in this space and in support of Singapore's Smart Nation initiatives, we will continue to develop innovative first-to-market solutions for our customers that leverage on cutting edge technology to deliver superior and secure e-payment services to their customers.

Showcasing our growing digital capabilities, our inaugural Public Sector Day event in August 2019 was very well received by 100 attendees across more than 30 government agencies.

Leader in Sustainable Finance

1st Bank
in Southeast Asia to stop financing new coal-fired power plants

No. 1
2019 Asia Pacific (ex-Japan) Green/Renewable Energy Loans Mandated Lead Arranger League Table by Bloomberg

No. 1
2019 Asia Pacific (ex-Japan) Green/Sustainability-linked Loans Mandated Lead Arranger League Table by Debtwire

>S$5b
in new commitments to sustainable finance in 2019

>20
green and sustainability-linked loans completed in 2019

Financed renewable energy projects to provide generation capacity of more than
2,000 MW
of cleaner energy in 2019

Read more about this on page 66

Our Target

To build a sustainable finance portfolio of
S$10b
by 2022

Ask Jason

We empower employees to take charge of their own careers and create their own futures.

Jason Ho
Head of Group Human Resources

Q: What is at the core/heart of OCBC's HR philosophy?

A: Our purpose is to contribute to the vision, mission and financial success of the business by investing in our human capital, technology and HR processes to drive new value and experiences for our employees more effectively. This supports the OCBC Employer Brand Promise of being caring, progressive and being able to deliver a difference.

We take a long-term view and invest in upskilling and reskilling our people for the future so that we are well prepared for the ever-changing economy. Taking care of people, for now and the foreseeable future, is our business. The more relevant their skills are, the more successful the business will be.

We are committed to investing in each person's career, and not just for their time with us. By equipping our people with key skill sets that prepare them for the future, we are developing a talent pool not just for our company, but for the community at large.

Q: What is your HR strategy for developing people?

A: The rise of data and technology brings about significant implications for both businesses and workers, as the skillsets needed will change. Still, beyond technology, our strategy revolves around what we do best–to look after people from all aspects of HR, from recruitment and selection to learning and development; from performance management to workplace culture and rewards.

Our stand is that it is our responsibility to provide employees with the necessary tools and skills for the transition into the future. We work collectively with our ecosystem of government agencies, educational institutions and business providers to create opportunities and possibilities for our employees.

We have embarked on the Future Workforce Initiative, a bank-wide workforce transformation to re-imagine the future of work within which job role transformation will take place.

To date, we have reviewed more than 150 roles in Singapore-based entities. This covers nearly 9,000 people, of which one-third of roles have a high potential to be transformed to be more efficient or to capture value that new technology now affords us.

Concurrently, we launched Future Smart, a S$20 million, global three-year learning initiative to equip our employees in competencies needed to thrive in the future world. Under Future Smart, we have partnered industry experts to create the Data Certification Pathway and the Cyber Certification Pathway. The tools and techniques imparted deepen the skillsets of our people. This development of the right skills and mindset will enable the organisation to stay agile and relevant in the changing business landscape.

To support our employees, we also ensure that the right environment and infrastructure are created to enable a collaborative digital culture. One of the ways we do this is by creating an agile and collaborative workspace where offices are redesigned to incorporate more open spaces and opportunities for collaboration. This is one of the many things we do to start changing the way we work, while we embrace the changes that the world brings.

Data Certification Pathway

Launched in July 2019, the pathway aims to raise the overall data literacy of our employees and double the number of data scientists and analysts we have. Sheihu, who works in Global Treasury's Business Process Transformation Unit, took the initiative to be part of the pathway and has completed the first module – Programming in Python I under the Data Analyst track. He aims to complete the remaining 10 modules under the Pathway in three years' time and receive his certification to become a data analyst. "When I first joined the workforce 25 years ago, the buzzword was how to collect data. Today, with data being an integral part of our lives, we have to deepen our skillsets so that we are able to remain relevant and contribute to the society."

Sheihu Abdul Khadar Asan Abdul Kader, 50, is one of 96 pioneer employees who has taken the first steps on a new Data Certification Pathway.

Nurturing more than
30,000 employees
globally

>23,000 employees
worldwide completed digital and fintech learning programmes

>7,000
curated learning and development programmes

Average
6.03 days
of learning for each employee

About
1 in 9
jobs filled internally

Launched
MyWellness,
a digital one-stop benefits portal and app, to empower employees to create a wellness journey that best suits them

2019 Annual Future Smart Future Workforce Learning Festival

Singapore
>2,500 employees
participated in the activities showcasing the future of work and innovation at work

Malaysia
The Learning Festival featured subject-matter experts on all things digital and innovation booths to showcase the bank's latest innovation

Indonesia
637 employees
in Indonesia attended the OCBC NISP Learning Festival 2019

Hong Kong SAR
Employees attended talks and experienced VR games at the inaugural OCBC Wing Hang Digital Carnival 2019

Ask Jason

Launched
OCBC Regional Undergraduate Scholarship
to develop more talents who have regional exposure and aspirations

Launched
Data Certification Pathway
in partnership with Ngee Ann Polytechnic to groom 200 data scientists/analysts over the next three years

Launched
Cyber Certification Pathway
in partnership with Temasek Polytechnic to train 200 Cyber Risk Analysts and Cyber Security Specialists in the next three years

Q: In 2019, OCBC won the Excellence in Leadership Development award at the HR Excellence Awards. What is your strategy for providing your leaders with skills and development opportunities that allow them to shine?

A: For key objectives to be achieved, leadership is key. Our philosophy for workforce development is that everyone is a leader and has the capacity to lead. Among the important skills needed is the ability to collaborate and articulate strategy.

From a development perspective, we focus on building and preparing future-ready talents for the sustainable growth of the organisation. We develop people-centric programmes that support new ways of working and our comprehensive suite of development programmes cater to staff at different levels. Through these learning programmes, we develop people holistically, with an eye towards honing leadership skills that are all-encompassing.

We are here to build leaders for the long term, not just the near future.

Former Cabinet minister George Yeo shared his insights and perspectives on global issues affecting nations and corporations at a dialogue session for more than 100 senior leaders in the bank, including those in the first batch of a new group-wide senior leadership programme, BOLD. The programme aims to provide our experienced leaders insights and perspectives into global issues affecting corporations and countries.

Q: How does HR adopt digitisation to its best advantage?

A: We adopt digitisation to enhance the employee experience so that we deliver a high service level to our employees, whom we look upon as our main 'customers'.

Having the right digital tools and processes is key so that we can serve our people better. Our In-house employee app – HR In My Pocket (HIP) is instrumental in reducing manual processes by allowing us to adopt automated IT solutions. Employees use the app to select their benefits, file claims, apply for leave, view internal job opportunities and staff promotions and retrieve a whole range of information on the go. With each new release, we add more services to match the functionality and expectations created by consumer technology, allowing employees to exercise even more control over their HR tools and applications.

Such solutions allow for a much more efficient HR. Alongside these capabilities, we use data to drive more efficiencies while uncovering the needs and wants of our people.

With data, we have uncovered our employees' preferences and been able to enhance existing schemes. For example, when we analysed our employees' spending patterns on medical expenses, we found that older employees were putting in more claims for their parents' medical expenses. We then extended medical coverage to parents of all employees. A third of our staff in total have enroled in this medical benefits plan to date.

With such insights, we developed MyWellness, a benefits portal and app that empowers employees to choose the best coverage for themselves and their families, creating a wellness journey that best suits their life stages and personal goals.

The OCBC team being recognised at the HR Excellence Awards 2019 for their effort in creating high impact leadership programmes.

Q: OCBC has a history of giving back to the community. What role does HR play in that?

A: Giving back to the community is part of our heritage and core values. Learning and development fall under HR's purview and we constantly look to offer ground-breaking initiatives that create lasting value and make a sustained positive difference to our customers, colleagues and the communities we operate in.

Since the launch of our bond-free OCBC Scholarship programme about 20 years ago, we have been providing financial assistance to support young Singaporeans in their pursuits, from garnering tertiary education, to realising their dreams and passions. This is our contribution to those who represent the future of our country.

In 2019, we introduced two new scholarship programmes. The OCBC Regional Undergraduate Scholarship is reflective of OCBC's growing regional presence. It is our aim to develop more talents who have regional exposure and aspirations. The OCBC AI Scholarship for postgraduates is the first AI scholarship to be offered by any bank in Asia. It is another step we are taking to proactively grow the AI talent pool to harness technology as a strategic capability to bring even greater value to our customers and staff.

Further strengthening the OCBC 'giving back' culture are programmes like the ongoing MentorMe, which has women going through nine months of mentorship with senior staff in the bank.

Best Employer Award
awarded by Kincentric Best Employers Awards
(OCBC Bank)

Gold – Excellence in Leadership Development
awarded by Human Resources Online
HR Excellence Awards 2019
(OCBC Bank)

Gold – Most Innovative and Sustainable Office Design (SG)
awarded by Human Resources Online
Asia Recruitment Awards 2019
(OCBC Bank)

IBF Workforce Transformation Award
awarded by Workforce Singapore (WSG)
IBF Distinction Evening 2019
(OCBC Bank)

Grand – Best Employee Wellness Award
awarded by CT goodjobs
Best HR Awards 2019
(OCBC Wing Hang Bank)

Best Practice Award on People Development
awarded by China Annual Learning & Development Conference
(OCBC Wing Hang China)

1st Indonesia Best Companies in Creating Leaders from Within 2019
awarded by SWA Magazine
(OCBC NISP)

Gold – Employer of the Year
awarded by Human Resources Online
HR Excellence Awards 2019
(Bank of Singapore)

Sustainability Report

About This Report

Scope of the Report
This report covers the operations of OCBC Group globally except for Great Eastern Holdings, a separately listed subsidiary that publishes an independent sustainability report. The content of this report focuses primarily on activities carried out within the financial year ending 31 December 2019. Where applicable, data from previous financial years was included for comparison.

Reporting Framework
We have adopted the Global Reporting Initiative (GRI) Standards as our reporting framework. This report has been prepared in accordance with GRI Standards: Core option and GRI G4 Financial Services Sector Disclosures. This includes adhering to the GRI principles for defining report content:

- Sustainability context
- Stakeholder inclusiveness
- Materiality
- Completeness

Details on our approach to stakeholder inclusiveness and materiality can be found in this report and on our website. We have also referenced the primary components detailed in the Singapore Exchange (SGX) Listing Rule guide for sustainability reporting.

Data and External Assurance
While we have not sought external assurance this year, the data included in this report has undergone rigorous review and approval as part of our internal processes.

Contents

The winged fruits of the Dipterocarp tree help scatter the seeds to ensure its survival. These endangered trees are the 'green lungs' of Asia and are super-storers of carbon dioxide.

Contact
We welcome your feedback and suggestions at corpcomms@ocbc.com

Board Statement

OCBC has created value for our customers and stakeholders for more than 87 years. Indeed, we are the longest established bank in Singapore. Throughout our history, we have long believed that businesses do well by doing good. Today, this belief has never been more relevant. Climate change, social and economic inequality and unfair business practices are some of the issues creating unprecedented impacts that pose a risk to the long-term sustainability of our business and threaten the well-being of future generations.

As a bank, we have an important role to play not only to support economic growth, but also be a catalyst for sustainable development. Sustainable development is about investing now for a better future for our business, for our stakeholders and for the communities we serve. Therefore, we are committed to taking a long-term view on how we create and sustain value.

Creating a more sustainable future will require change and in some cases, trade-offs to move away from a short-term mindset. Our Sustainability Framework guides our approach to embedding responsible and sustainable business practices in everything we do at OCBC. Through our Sustainability Framework, we are committed to Putting Customers First, Being Environmentally and Socially Responsible, Acting with Integrity, Valuing our People and Engaging Communities. It embodies our aspiration to be the leading bank for responsible and sustainable finance in Asia.

Driving Change for the Long Term

In 2019, we made several strides towards this aspiration and the targets that we set ourselves. We were the first Singaporean bank to stop financing any new coal-fired power plants, as a material update to our Climate Change Statement. This reflects the urgency and importance we place on taking action to avoid catastrophic climate change. We remain committed to supporting the necessary transition to a low carbon economy and the 2030 sustainable development agenda as set out by the UN Sustainable Development Goals (SDGs). In this regard, we have set a target to build a sustainable finance portfolio of S$10 billion by 2022.

The SDGs set out the world's most pressing priorities and also present an opportunity for businesses to align with societal needs. Over the last year, we are very proud to have supported more than 20 green and sustainability-linked loans, which contribute to our selected focus SDGs. In addition, we have also financed renewable energy projects in countries such as Australia, China, Malaysia and the United Kingdom. We added more than S$5 billion in commitments to our Sustainable Finance portfolio in 2019 alone.

In the same vein, we continue to look for ways to partner and support environmental initiatives that enhance sustainability. In 2019, we launched the OCBC Arboretum at the Singapore Botanic Gardens. The Arboretum will enable the study and conservation of Dipterocarp trees. These trees are the backbone of rainforests and a vital ingredient in the fight against climate change, absorbing and storing more CO_2 than other species.

We also continue to transform ourselves through technology. Digitalisation has been a catalyst for growth across our business, bringing new capabilities and enabling us to create a Bank of the Future. Central to our digital transformation is the OCBC Future Smart Programme, building the digital competencies of our people and weaving innovation into our DNA. We launched a cyber certification pathway to train relevant employees to become cyber risk analysts and cybersecurity specialists in the next three years.

Banking is all about trust. In the wake of several controversies involving ethical misconduct in the global financial community, this year OCBC established a new Board Ethics and Conduct Committee. We are the first bank in Singapore to do so. We believe that this will help us to continue forging a strong culture of responsible banking and ethical conduct, meeting the expectations of our stakeholders and creating lasting value.

Looking Ahead

We are very proud of the strong progress that we have made on our journey so far. However, we are cognisant of the challenges that still lie ahead if we are to fulfil our aspirations. As such, we will continue to drive performance across our material Environmental, Social and Governance (ESG) factors and the targets we have set. We also recognise that sustainable development and tackling climate change require collective action. Therefore, we are committed to collaborating and partnering with others to drive change systemically.

As we move forward on our journey, the Board of Directors continues to exercise oversight over the management and monitoring of sustainability at OCBC. It considers the material ESG factors facing our business as part of its strategy formulation and decision-making. This includes assessing the environmental risks across our lending portfolio and implementing the recommendations put forward by the Task Force on Climate-related Financial Disclosures (TCFD).

Together with the Executive Management Team, the Board is committed to transforming the Bank to ensure that we stay relevant, build resilience and create sustainable long-term value. Our success is interwoven with the success of all our stakeholders.

2019 Key Achievements

In 2019, we made steady progress in our sustainability efforts, setting stretched targets for each material ESG factor. We wove sustainability more deeply into our corporate culture and rolled out initiatives that create sustainable value for our customers, community and employees. We focused some of our efforts on supporting the environment and doing our part in battling climate change. Here are the key achievements of 2019. We will continue to drive performance to move forward our sustainability agenda.

OCBC Arboretum
At the Singapore Botanic Gardens. A forest of 2,000 endangered Dipterocarp trees that can store carbon emissions, to help fight climate change

The Green Pitch
Bringing together like-minded individuals to pitch ground-up climate action solutions.
Winning solutions were funded by the #OCBCCares Environment Fund

1st Green Bond
issued A$500 million of senior floating-rate green notes

Stop Coal-Fired Power Plant Financing
1st bank in Southeast Asia

No.1 MLA
Mandated Lead Arranger (MLA) in APAC (excluding Japan) (1)

>S$5b
new commitments to sustainable finance

>4,400 Employees
trained in sustainability related topics to-date

4 New Policies
developed for high risk sectors defined by the ABS Responsible Financing Guidelines

World's Best Consumer Bank
awarded by Global Finance

53%
of consumers and
65%
of SME customers in Singapore are digital (2)

>S$500m
new government-assisted loans to SMEs in Singapore, Malaysia and Hong Kong SAR

Child Development Accounts
No.1 provider in Singapore

Apart from doing what is right, we are committed to do more and to go beyond. We go beyond not only by creating sustainable value for our customers, our employees and our shareholders, we must also create sustainable value for the community we operate in and maintain a sustainable environment for our future generations.
– Samuel Tsien in his 2019 Year-End Personal Note of Appreciation to OCBC employees

Board Ethics and Conduct Committee
1st bank in Singapore to set up committee to ensure responsible banking

A rating
by Morgan Stanley Capital International (MSCI) ESG Research

S$15.1m
stopped from falling into the hands of fraudsters through our anti-fraud programme

Best Employer Award
in Singapore and Malaysia

Women in Leadership
positions increased from 38% to 40%

IBF Workforce Transformation Award
by The Institute of Banking and Finance Singapore

>11,300 volunteers
dedicated more than 52,500 hours of time and talents to community services

>138,900
beneficiaries helped (3)

S$1.8m
donated by Bank and staff to support the community and the environment

(1) OCBC was ranked number 1 Mandated Lead Arranger (MLA), APAC ex Japan in 2019 by Bloomberg (Green UoP Loans) and Debtwire (Green and Sustainability-Linked Loans).
(2) Digital customers are customers who have used internet/mobile banking at least once in the last three months.
(3) Individual beneficiaries helped, ranging from vulnerable seniors, children and youth, to people with special needs and low-income families.

Our Approach to Sustainability

At OCBC, our purpose is to help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs today and tomorrow. Embedding responsible and sustainable business practices into everything we do is integral to our purpose and how we create long-term value for our stakeholders. Our approach is guided by our Sustainability Framework which comprises five Sustainability Pillars and 12 material ESG factors to support the delivery of our five selected United Nations Sustainable Development Goals (SDGs). This defines our most important priorities as an organisation.

Our Sustainability Framework

Our 5 Sustainability Pillars

Pillar 1
Putting Customers First
Providing innovative financial services and a seamless banking experience for our customers. This is at the heart of our brand promise—*Simply Spot On*.

Pillar 2
Being Environmentally and Socially Responsible
Contributing to responsible economic growth and sustainable development through our financing solutions, as well as managing the environmental footprint of our own operations.

Pillar 3
Acting with Integrity
Embedding responsible business practices to safeguard trust and protect value for our stakeholders over the long term.

Pillar 4
Valuing Our People
Creating a nurturing and engaging work environment that welcomes diversity and enables our people to realise their full potential.

Pillar 5
Engaging Communities
Contributing to healthy, thriving and inclusive communities through our core business, corporate giving, employee volunteering and partnerships.

Our 12 Material ESG Factors

- Financial Inclusion
- Digitalisation
- Customer Experience

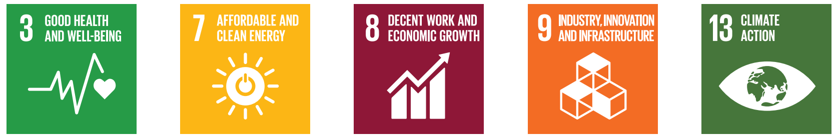
- Responsible and Sustainable Financing
- Environmental Footprint

- Strong Governance
- Fair Dealing
- Combating Financial Crimes and Cyber Threats

- Inclusive Workforce
- Talent Management and Retention

- Community Development
- Economic Contributions

Delivering on Our 5 Selected SDGs



3. Good Health and Well-being
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
13. Climate Action

Our Sustainability Governance Structure

To achieve our aspirations and embed responsible and sustainable practices into our business, a robust governance structure is important. The Board has ultimate responsibility for overseeing all aspects of sustainability at OCBC. It is supported by the Sustainability Council and the Sustainability Working Group.

Board	The Board has the ultimate responsibility and oversight for sustainability at OCBC. In this regard, the Board takes our material ESG factors into account when setting the strategic direction of the company.
Sustainability Council	The Sustainability Council is responsible for the identification, management and monitoring of our material ESG factors under our Sustainability Framework. It is chaired by the Group Chief Executive Officer and comprises other Senior Management Team members.
Sustainability Working Group	The Sustainability Working Group is responsible for implementing initiatives, engaging internal and external stakeholders on sustainability matters and driving performance across our material ESG factors through the setting and measurement of Key Performance Indicators (KPIs) and targets. Its members include representatives from across all our main business units.

Stakeholder Engagement

At OCBC, we recognise the importance of understanding and being responsive to stakeholder expectations and interests. Stakeholder engagement is carried out on a regular basis and at every level of the business. Continuous, constructive and open dialogue is key to ensuring that we not only understand stakeholder expectations, but also that stakeholders gain a better understanding of our business. The outcomes of our interactions with stakeholders inform our approach to managing sustainability, including the identification of our material ESG factors.

Our Materiality Assessment Process

The sustainability agenda presents a broad range of potential topics of relevance. While we monitor and manage several topics, we focus our strategies and efforts on the material sustainability risks and opportunities that reflect our most significant impacts and are of greatest importance to our key stakeholders.

We regularly undertake an assessment to identify the most material ESG factors facing our business. Our last review was undertaken in 2018. The 12 material ESG factors from this review remain relevant in 2019. Our Board considers the material ESG factors facing our business as part of its strategy formulation and decision-making.

As we progress on our sustainability journey and our business context changes, we will continue to evolve and update our understanding of materiality through stakeholder engagements and in consultation with management across our operations globally.

Our material ESG factors are managed through our policies, procedures and programmes. We monitor our performance and drive improvement through a set of KPIs and targets that are embedded into management objectives across our different business units and functions. We report our progress and performance on each material ESG factor on pages 61 to 83 of this report that follow.

For more details on our approach towards sustainability governance structure, stakeholder engagement and materiality, please visit our website.

Our Approach to Sustainability

Delivering on the Sustainable Development Goals (SDGs)

Our Sustainability Framework supports the delivery of the United Nations Sustainable Development Goals (SDGs).

As a bank, the main way we can make a difference is by providing financial solutions that support sustainable development. We have selected five focus SDGs, where we can make the biggest contribution to sustainable development in the markets where we operate. They are:

- SDG 3: Good Health and Well-being
- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 13: Climate Action

We also recognise that the SDGs are a set of interrelated goals and that we touch all 17 SDGs in different ways. Therefore, we will continuously seek new ways to contribute to the whole sustainable development agenda where relevant.

Enabling a Low-Carbon Future

A report published by the Intergovernmental Panel on Climate Change (IPCC) in 2018 highlighted the need to keep global temperature rise to 1.5°C above pre-industrial levels to avoid catastrophic impacts from climate change. This requires urgent action by governments, businesses and civil society. In line with our support of SDG 13 and recognising the need to take urgent climate action, OCBC became the first bank in Southeast Asia to stop new financing of coal-fired power plants. Some of our other initiatives to support climate action include the following:

Financing Offshore Wind Power

One of the key steps to achieving emissions reduction is the shift to renewable energy. OCBC is therefore proud to be a Mandated Lead Arranger for the financing of a 640 MW, 80-turbine offshore wind power facility project in Taiwan. The project is majority-owned by wpd AG, a German developer and operator of onshore and offshore wind farms. This project marks OCBC's inaugural financing of an offshore wind power project, scheduled for completion in December 2021.

The project supports the Taiwan government's plan to install 5.5GW of offshore wind generation capacity under the "Thousand Wind Turbines Project", and to develop a 20% generation share for renewable energy by 2025. This project is aligned with one of our core SDGs – SDG7, to enable access to clean and affordable energy.

Supporting Carbon Capture and Storage

In a world where carbon emissions are at their highest, we believe that carbon capture and storage is essential to reducing CO_2 emissions. In our effort to support SDG 13, we partnered NParks to create the OCBC Arboretum at the Singapore Botanic Gardens to grow and conserve more than 2,000 endangered Dipterocarp trees.

The OCBC Arboretum is an important component of our commitment to fighting climate change as carbon emissions are at their highest and will increasingly cause potentially disastrous events for mankind. Each Dipterocarp tree can store as much as 40,000kg of CO_2 in its lifetime. An Internet of Things (IoT) system is deployed in the OCBC Arboretum to remotely and continuously monitor the trees and their environment.

For more case studies on how we are contributing to the SDGs, please refer to the chapter on Responsible and Sustainable Financing on page 66. For more details on how OCBC is contributing to the specific targets related to each of our focus SDGs, please visit our website.

Delivering on Our SDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Sustainability Pillar 1: Putting Customers First

Financial Inclusion

Why this is Material to Us

Providing innovative and accessible financial products and services is in line with our goal of helping individuals and businesses across communities achieve their aspirations.

Our Management Approach

We provide products and services that cater to the needs of various groups in society, including children and young families (Child Development Accounts), youth between 16 and 29 years old (FRANK by OCBC) and pre-retirees and retirees (Silver Years by OCBC Life Goals).

In 2019, we launched a number of innovative financial services to provide start-ups and small businesses with improved access to finance:

First to Market Same-day Online Business Incorporation and Instant Account Opening for 'Born Digital' Start-ups in Singapore

- Building on strong momentum with over 90% of new SME accounts opened digitally, we offer added value to entrepreneurs by enabling them to open business accounts at point of business incorporation, delivered in partnership with digital corporate secretaries.

Leading SME Bank to Support Innovative and High Growth SMEs

- Business Venture loans for SMEs with innovative business models or those which adopt emerging technologies.

Extending Loans to Small Business in Collaboration with P2P Lending Partners

- Launch of pilot to provide short-term transactional financing to meet the underserved needs of SMEs.

Financial Literacy Classes for Low-income Families

As part of our newly launched OCBC-NTUC First Campus Bridging Programme, the Bank will organise financial literacy workshops for parents to help them better manage their family finances. These workshops will be conducted by staff volunteers from our Wealth Management team on a quarterly basis from 2020–2024.

OCBC Group CEO Samuel Tsien with parents and children at the launch of the OCBC-NTUC First Campus Bridging Programme on 23 September 2019.

Asia's Best Bank for SMEs
awarded by Euromoney

Best SME Bank in Singapore and Indonesia
awarded by Alpha Southeast Asia

Best Trade Finance Bank in Singapore
awarded by Alpha Southeast Asia

Our Performance

No.1
provider of Child Development Accounts in Singapore

>S$500m
new government assisted loans to SMEs in Singapore, Malaysia and Hong Kong representing 21% growth

[1] We met the target of S$500m in new loans, but the overall loan growth is at 21% (vs 2019 target 25%) due to a more challenging Hong Kong market

Our Targets

Maintain
No.1
market share of Child Development Accounts in Singapore in 2020

S$550m
new government-assisted loans to SMEs in Singapore, Malaysia and Hong Kong SAR in 2020

40%
of new business loans through digital platforms in 2020

Sustainability Pillar 1: Putting Customers First

Digitalisation

Why this is Material to Us

Technology is advancing at a rapid pace and the needs and expectations of our customers are changing accordingly. As such, digitalisation is mission-critical for OCBC. We must continue to provide innovative and seamless solutions that meet our customer needs across all stages of their journey with us.

Our Management Approach

Digital transformation is an integral part of OCBC's corporate strategy. We are focused on driving bank-wide digital transformation to create the Bank of the Future.

Our digital strategy cuts across every aspect of the Bank. We are focused on redefining digital banking to provide innovative new value propositions for our customers and a next-generation user experience.

Transforming our business to foster innovation and embrace agile ways of working at scale, establishing ecosystem partnerships and leveraging artificial intelligence are key tenets of our strategy.

Our digitalisation strategy is led by our Group CEO, who is supported by dedicated digital teams in Singapore as well as our core markets. Each business unit is responsible for the execution of its part in the strategy.

The Open Vault at OCBC, Carpe Diem and AI Lab continue to be flagship drivers for our digital journey. For more information on these programmes, please visit our website. We also continue to roll out OCBC Future Smart across the Group, as we build a future-ready workforce. For more information on OCBC Future Smart Programme, please refer to page 78.

Some of our new initiatives in 2019 included:

Reinvented Mobile Banking
- To offer proactive, personalised and automated money management, next generation segmented customer journeys and AI-powered voice banking.

Democratising Wealth Management
- First bank to launch a full suite of goal-based advisory and financial planning solution on digital platforms leveraging on OCBC Life Goals.

Instant Customer Onboarding
- First bank to enable instant approval and use for everyday banking products including credit cards, personal loans and bank accounts.
- This leverages on a strategic partnership with GovTech and a proprietary eKYC platform.

Innovative Services on ATMs
- First in Singapore to enable cardless cash withdrawals at ATMs using QR codes via OCBC Pay Anyone app.
- Rolled out new ATMs to migrate teller transactions like high value cash withdrawals and deposits to digital self-service.

Payments and Ecosystem
- Launched STACK™, a digital loyalty platform powered by OCBC, for tracking and exchanging rewards points across multiple rewards programmes.
- Enabled contactless transit payments in coordination with LTA and NETS.

Pivoted Our Operating Model to Deliver Agile at Scale
- Transition from a silo-ed project-based delivery structure to a co-created platform-based approach, built using co-located, cross-functional teams with common metrics.

Our Performance

Digital Customers in Singapore[1]

53%[2] **consumers**
(from 36% in 2014)

65% SMEs
(from 36% in 2014)

92%
of financial transactions[3] conducted digitally by consumer customers

77%
of digital consumer customers bank on mobile

1 *Digital customers are customers who have used internet/mobile banking at least once in the last three months.*
2 *The number of digital active customers showed strong growth with 9% year-on-year increase, bringing the total digital active penetration rate to 53%. The absolute number of digitally active customers grew according to plan with a 2% variation in digital penetration rate due to a higher than forecasted jump in active customers. We remain on track to hit the committed 60% target by 2023.*
3 *Financial transactions refer to fund transfers and payments which are non-cash in nature.*

Our Targets

Increase the Number of Digital Customers in Singapore

Consumers:
56%
by 2020 and 60% by 2023

SMEs:
67%
by 2020 and 70% by 2023

>90%
financial transactions conducted digitally by 2020

>75%
of digital customers bank on mobile by 2020

Delivering on Our SDGs

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

Empowering Our SME Customers

OCBC continues to support SMEs on their digital transformation journey:

- First to market same-day online business incorporation and instant account opening.
- Online Business Loans, offering SME customers 24/7 self-service loan application capability and approval.
- OCBC Start Digital Programme, which helps SME customers to go digital in areas beyond banking, including HR, Accounting, Digital Marketing, Digital Transactions and Cyber Security.
- OCBC Malaysia appointed as the exclusive transaction enabler on B2B online platform DaiGor for cross-border electronic trade settlements, enabling local SMEs' increased participation in global trade.

To grow in Singapore today, small companies like us need to make effective use of technology to improve our productivity. As an SME, our strength lies in how we can adapt more quickly to changes, and we need to capitalise on opportunities like OCBC Start Digital.

– Faisal Asri, founder of 3D Brand Agency

Facilitating Our Customers' Transition to Digital Payment

This year, OCBC became the first Singapore bank to join Singtel's VIA mobile payment alliance. By the first quarter of 2020, OCBC Bank customers will be able to go cashless when they travel to Thailand or Japan. Using the OCBC Pay Anyone app, they will be able to make QR code payments at more than 1.7 million merchant partners on VIA's network in Singapore dollars at competitive and transparent exchange rates.

This long-term partnership with Singtel is another key milestone in our journey to drive digital payment adoption among our customers, and address their digital payments needs.

– Ching Wei Hong, Deputy President and Head of Global Wealth Management and Consumer Banking

Facilitating our customers' transition to digital payment.

Best ATM Innovation
awarded by the Digital Banker at the Global Retail Banking Innovation Awards

Best Self-Service Banking
awarded by the Digital Banker at the Global Retail Banking Innovation Awards

Best Digital Banking Initiative
awarded by the Digital Banker at the Global Retail Banking Innovation Awards

Best Internet Banking Initiative
awarded by the Digital Banker at the Global Retail Banking Innovation Awards

Best Transactional Banking Online Platform
awarded by Alpha Southeast Asia

Best API Initiative, Application or Programme
awarded by The Asian Banker at the Business Achievement Awards

Best Digital Trade Finance Platform Initiative
awarded by the The Asian Banker at the Business Achievement Awards

Winner of Digital Transformation and Modern Application Development
at the Red Hat APAC Innovation Awards

Sustainability Pillar 1: Putting Customers First

Customer Experience

Why this is Material to Us

The most significant impact we have on society is through our core business—providing our customers with financial solutions that meet their needs and improve their lives. Deepening engagement and forging enduring relationships with our customers are fundamental to our long-term success.

Our Management Approach

We have embraced the practice of Human-Centred Design (HCD) to build products and services that are functional, easy to understand and emotionally engaging. This led to the development of a structured design approach that starts with a deep understanding of the customers' needs and ends with experiences that matter to them.

Key activities to achieve that were the refinement of the design training programmes (Great Design Bootcamp and Masterclass) and the systematic application and scaling of design practices across the organisation, which is setting the standard of the OCBC customer experience.

The training programmes' primary objective was to equip the staff responsible for the creation and development of our products with a whole new set of tools and skills that allows them to discover, prioritise and execute innovative services. The participants' training was built around the following themes:

- Re-framing problems to foster the ideation of new ways of banking.
- Prototyping and testing concepts to validate and understand effectiveness.
- Refining and aligning the objectives of the organisation with the needs of the customers.

Scaling design practices were achieved by coaching selected teams and by embedding employees with design proficiency and expertise within those teams. This resulted in an overall wider sensitivity towards customers' needs, an increased capability to collaborate as well as an improved speed of execution.

We further refined our practice of monitoring and measuring the quality of the delivered experience. This was done by systematically and rigorously measuring the levels of customer satisfaction, the number of customer complaints (the fewer, the better) and the willingness of customers to recommend the Bank (Net Promoter Score).

In addition, we view complaints as opportunities for the Bank to learn and improve our people, systems and processes in order to retain customers and grow new business. All complaints received are reviewed and tracked to resolution. We analyse the data and trends of all complaints resolved. Learning and improvements are obtained during investigation of root causes and resolution lead by a Complaint Management Council comprising representatives across businesses and operations. Complaint data and issues are shared with senior management and the Board.

Raymond Chee, General Manager of our New York Agency, receiving the World's Best Consumer Bank Award in Washington DC.

Our Performance

Achieved internal E-B score[1] by
74%
for our Singapore Retail Banking, exceeding our target set in 2019

Improvement of
1%
in Net Promoter Score from 2018

87%
of all customers complaints resolved within three working days of receiving the complaint (Singapore)

100%
of the 80 personal data-related complaints closed successfully; all 15 valid complaints filed with the PDPC were resolved

Our Target

To maintain internal E-B score of at least
68%
for our Singapore Retail Banking in 2020

Most number of winners for the
Excellence Service Award (EXSA)
awarded by The Association of Banks in Singapore

World's Best Consumer Bank
Global Bank Award 2019 by Global Finance

We are obsessed with developing an in-depth understanding of our customers in order to create products that are user-friendly and meaningful. This is behind our success and in particular the success of our digital capabilities in internet and mobile banking.

– Ching Wei Hong, Deputy President and Head of Global Wealth Management and Consumer Banking

(1) Refers to our internal – Exceed Expectation – Below Expectation – (E-B) score that tracks the level of satisfaction across the various touchpoints and interactions that customers have with our staff and the Bank.

Delivering on Our SDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Introducing Singapore's First Financial Wellness Index

In 2019, OCBC launched Financial Wellness Index, the most comprehensive study of Singaporeans' financial health conducted to date. By engaging over 2,000 working adults, it was the first study to research how Singaporeans fare across 10 pillars of financial wellness.

The deep insights gained enabled us to develop products and services to better meet customer needs in different segments. The results were made public and are available online for individuals to understand their own strengths and weaknesses in financial wellness. To address the gaps revealed by the Index, a structured financial literacy course, OCBC Financial Masterclass, was also launched to offer practical tips.

We launched Singapore's first Financial Wellness Index, a comprehensive study of the state of Singaporeans' financial health. We aim to continue the Index every year and extend it over the next few years to our core regional markets.

Launched in March 2019, the Frank store at University Town, National University of Singapore resonates well with its target audience—youths. This was made possible with a human-centred design approach, where we engaged youths during the design process.

FRANK Stores at Key Tertiary Institutions

FRANK was designed primarily to connect with youths in a sustainable way. In addition to the ones at NTU and SMU, the latest store at NUS University Town presented an opportunity to challenge conventional thinking and develop a radical approach—to create a space that adheres to the principle of human-centred design.

To achieve this, it was necessary to work with students and the school administration. Ethnographic studies and co-creation sessions were at the heart of design activities. Speaking to students, the following became clear:

- With ample spaces for students to study and revise, there was an opportunity to create a dedicated space where students can slow down and relax.
- Equipped with WIFI and charging ports, the store has hosted various activities, from lunch-time talks on financial literacy to networking events for student clubs.
- The store goes beyond a 9-to-5 bank and is available 24/7, to be in sync with the rhythms of campus life.

Inspired by the university's green drive, the store features an innovative cooling system that cools hot ambient air without coolants, at 20% of the cost of traditional air-conditioning.

Sustainability Pillar 2: Being Environmentally and Socially Responsible

Responsible and Sustainable Financing

Why this is Material to Us

The growing threat of climate change and the urgent need for sustainable development presents both risks and opportunities for the banking industry.

On one hand, evolving ESG risks need to be understood, identified, assessed, managed and eventually disclosed.

On the other hand, we have the opportunity to catalyse sustainable solutions by directing capital flows to projects that can enable the transition towards a more sustainable future.

Our Management Approach

Our aspiration is to be a leading bank for responsible and sustainable finance in Asia.

Central to this aspiration is our longstanding commitment to taking a long-term view on how we create and sustain value for our shareholders, for our clients and for society.

This commitment informs our approach to responsible and sustainable financing.

Responsible Financing

Managing risks and ensuring that we are lending responsibly have always been key tenets of our approach at OCBC.

Over the years, as the disruptive forces impacting our business have evolved, so has our approach to responsible financing, which we continue to strengthen.

ESG Risk Assessment Embedded in the Risk Management Process

Initial ESG Risk Assessment

- Customer-facing relationship managers perform initial assessment to identify if customers/ transactions may present significant ESG risks
- Customers/transactions may be turned down if significant ESG risks are identified and not mitigated
- Customers/transactions that fall within our exclusion list will not proceed

Enhanced Due Diligence

- High risk customers/ transactions will be subjected to enhanced due diligence by ESG specialists in the Bank
- Depending on the nature of ESG risk, time bound action plans and ESG covenants may be imposed in the facility agreement

Escalation & Approval

- Transactions with significant reputational risk will be escalated to the Reputational Risk Review Group for clearance
- All transactions must be approved by the relevant credit approval authority
- Where customers are unable to agree to an action plan or where the risks are too high, Credit will decline to proceed

Monitoring

- Customer's progress on agreed action plans and ESG covenants will be regularly monitored
- If the covenants are breached or our ESG expectations are not met, the customer relationship will be reassessed
- ESG risk assessment on our customers will be conducted regularly throughout the financing tenor
- ESG risk exposure of our portfolio will be monitored and findings will be reported to Group CEO and Board Risk Management Committee periodically

Assurance of our ESG risk assessment process is provided by Group Audit

Delivering on Our SDGs

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION

The main components of our approach are discussed below.

1. **Our ESG Risk Assessment Process:**
   Implemented in 2017, our ESG Risk Assessment Process ensures that we integrate the management of ESG risks into our credit and risk evaluation process.

   All applicable new and existing corporate, commercial and institutional customers/transactions are subjected to our ESG Risk Assessment Process.

   ESG Risk Assessments will commensurate with the industry ESG risk level (high, medium, low). More in-depth assessments will be conducted for transactions in industries that fall under high ESG risk sectors.

2. **Our Exclusion List:**
   As part of our commitment to responsible finance, there are certain activities that we will not support as a bank. Our exclusion list lays out the activities we will not finance.

Our sector-specific prohibitions include:

- **Energy:** We will not provide new financing for coal-fired power plants;
- **Metals and Mining:** We will not provide new financing to lignite/ brown coal mines; and
- **Defence:** We will not provide financing for the production or trade in controversial weapons and munitions for offensive warfare (e.g. nuclear, biological and chemical weapons, anti-personnel mines and cluster munitions).

We also prohibit the financing of:

- Production or activities involving harmful or exploitative forms of forced labour or harmful child labour.
- Projects located in or that have significant impact on UNESCO World Heritage Sites and Wetlands designated under the Ramsar Convention.
- Production or trade in wildlife including products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and United for Wildlife Financial Taskforce.

3. **Our Sector-Specific Policies:**
   Our sector-specific policies outline our requirements and expectations of customers in sectors with high risk of ESG impacts.

   We continue to evolve our framework by developing new policies or revising existing ones in response to a dynamic external environment.

   In 2019, we developed four new sector-specific policies covering chemicals, defence, infrastructure and waste management. Our sector-specific policies now cover all the industry sectors identified as 'high risk' by the ABS Responsible Financing Guidelines.

   OCBC sector-specific policies:
   - Agriculture & Forestry
   - Chemicals
   - Defence
   - Energy
   - Infrastructure
   - Metals and Mining
   - Waste Management

Our ESG Risk Assessment Performance

Transactions subjected to ESG Risk Assessment by Industry Risk Levels (2019)

57% Low ESG risk industries are those in services, consulting, education, wholesale and retail trade.

32% Medium ESG risk includes manufacturing activities and the other remaining activities not in high or low risk classification.

11% High ESG risk industries are identified as those falling under the 8 high risk sectors listed in the ABS Responsible Financing guidelines.

>8,900 transactions were assessed in 2019

>200 transactions required enhanced due diligence, which resulted in three being turned down based on their inherent ESG risk

2 transactions were escalated to Reputational Risk Review Group. One was approved with conditions for improvement while one was turned down

>4,400 employees trained in sustainability related topics to date

Please visit our website for more details on our ESG Risk Assessment Process, exclusion list and sector-specific policies.

Sustainability Pillar 2: Being Environmentally and Socially Responsible

Addressing Climate Change

The threat of climate change is one of the greatest challenges facing society today. Tackling climate change is a complex challenge that requires collective action and collaboration across industries.

As a financier, it is imperative that we play our part. In 2019, we took three key steps in our efforts to address climate change:

- First bank in Singapore to announce that we will no longer provide new financing for coal-fired power plants in any country.
- Became a signatory to and expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD). We have set up an internal working group that will lead our efforts in implementing the recommendations set out by TCFD.
- Updated our Climate Change Statement to reflect our new commitments.

Sustainable Financing

As a bank, OCBC aims to partner with like-minded customers that contribute to sustainable development in society, by offering bespoke and credible sustainable financing solutions.

In particular, we understand the important role banks need to play to support the transition to a low carbon and sustainable economy. In this regard, we are excited about emerging opportunities in the renewable energy and green buildings sectors as well as other sectors that contribute to sustainable development.

Led by our dedicated Sustainable Finance Team, OCBC completed more than 20 green loans and sustainability-linked loans in 2019 and has been ranked number 1 Mandated Lead Arranger for green financing league tables in the region. We also strengthened our commitment to sustainable finance by setting a target to build a sustainable finance portfolio of S$10 billion by 2022.

As the concept of sustainable financing evolves, OCBC will continue to develop a comprehensive and innovative range of solutions targeted to meet the changing needs and opportunities in the markets where our customers are active in.

Our Performance

>20
green and sustainability-linked loans completed

>S$5b
in new commitments to sustainable finance

No.1
Mandated Lead Arranger in APAC (excluding Japan)[1]

Our Target

To build a sustainable finance portfolio of
S$10b
by 2022

Financing Solutions	Project Finance	Green Loans and Green Bonds	Sustainability-Linked Loans	Green Capital Instruments	
Focus Industries	Renewable Energy	Green Buildings	Water Management	Clean Transportation	Pollution Control

[1] *OCBC was ranked number 1 Mandated Lead Arranger (MLA), APAC ex Japan in 2019 by Bloomberg (Green UoP Loans) and Debtwire (Green and Sustainability-Linked Loans).*

Delivering on Our SDGs

Solar Power Plant in Kuala Ketil, Malaysia.

OCBC Al-Amin Partners Edra Solar in Breaking New Ground with Malaysia's First ASEAN Sustainability Sri Sukuk

In a first for Malaysia, OCBC Al-Amin, acting as Edra Solar Sdn Bhd's Sukuk Sustainability Framework Adviser and Lead Arranger, created new benchmarks in the Sukuk market by successfully pricing Malaysia's first ASEAN Sustainable and Responsible Investment (SRI) Sukuk of RM245 million on 30 September 2019.

With Edra Solar allocating more than 15% of the Plant's buffer zone to the local communities for farming without deriving any economic benefit from this agriculture, the project is anticipated to create both environmental and social benefits.

Contributing to the Growth of the Green Bond Market

In December 2019, we became the first Singaporean bank to issue a green bond in the Australian Market through our Sydney Branch, raising AUD 500 million. The net proceeds were used to finance or refinance new or existing qualifying assets which meet the Eligibility Criteria for Green Bonds under the OCBC Sustainability Bond Framework, which is consistent with the Green Bond Principles issued by the International Capital Market Association. The transaction was well received by green investors, with strong support from Australian domestic and offshore high quality institutional investors.

Providing Green Financing Solutions for Our Customers

According to the International Energy Agency (IEA), the building and construction sectors combined are responsible for 36% of global energy consumption and nearly 40% of total direct and indirect CO_2 emissions.

By building more resilient infrastructures, OCBC has the opportunity to support our businesses and assets in becoming more sustainable. Frasers Property Group[1] embarked on a green financing journey in 2018 and OCBC supported Frasers Property Group in four out of its five 2018/2019 green loans, including OCBC acting as the green loan coordinator for a AUD 170 million green loan to Frasers Logistics & Industrial Trust in June 2019.

[1] *Frasers Property Limited and its subsidiaries*

Phoenix Transport and Survitec, one of the state-of-art facilities owned by Frasers Logistics & Industrial Trust, has received 6 star Green Star As-Built ratings from the Green Building Council of Australia (GBCA) since June 2018.

Spring City 66, Kunming–Hang Lung's first project in the Southwest region of Mainland China, has received LEED Gold pre-certification for Core and Shell Development issued by the US Green Building Council.

Providing Green Financing for Our Property Development Customers

OCBC Hong Kong Branch is the first bank extending a green loan facility to Hang Lung Properties Limited ("Hang Lung"), a leading property developer headquartered in Hong Kong SAR. The proceeds of HKD 1 billion green loan will be used to finance commercial property development projects in mainland China which have received gold certifications or pre-certifications issued by the US Green Building Council of Leadership in Energy and Environmental Design ("LEED"). This green loan is issued under Hang Lung's Green Finance Framework, which outlines the criteria and guidelines that will be used in the allocation of the green finance proceeds in line with the 2018 Green Bond Principles and the 2018 Green Loan Principles. The framework has been reviewed and confirmed by Sustainalytics, a global provider of ESG research and ratings, to be credible and impactful.

Sustainability Pillar 2: Being Environmentally and Socially Responsible

Delivering on Our SDGs

Environmental Footprint

Why this is Material to Us

A thriving society is dependent on a healthy environment. As a bank with physical operations, suppliers and customers, we have a role to play in reducing our environmental footprint, avoiding unnecessary use of resources and influencing those we interact with to adopt more environmentally-friendly behaviour.

Our Management Approach

Our direct environmental management efforts are focused on three key areas:

Sustainable Buildings and Operations

Improving the environmental performance of our buildings and operations by obtaining the BCA Green Mark Certification and adopting best practices relating to energy, water and waste.

Initiatives undertaken in 2019 include:

- Retrofitting our buildings, including the upgrading of central air-conditioning chillers and installing motion sensors to control lighting in the office lobby and car park.
- Conducting a feasibility study to install solar panels at selected buildings.
- Commencing the process to obtain BCA Green Mark certifications for two of our branches.

Sustainable Procurement

Prioritising the procurement of more eco-friendly products and services during the screening and selection of suppliers, wherever feasible.

We continue to purchase biodegradable serviceware and Forest Stewardship Council (FSC)-certified paper for office use.

Promoting Environmentally-friendly Behaviour

Engaging our employees, customers and the wider community to raise awareness of climate change and promote environmentally responsible behaviour.

Initiatives undertaken in 2019 include:

- Encouraging our customers to switch to e-statements which has resulted in a 24% reduction in paper usage since 2014. As of December 2019, statements for 54% of applicable accounts were set electronically.
- Eliminating the use of plastic bottled water at all of customer branches and selected offices in Singapore.

For more information on activities related to our #OCBCCares Environment Fund, please refer to Caring for Our Community and the Environment on page 34.

Our Performance

We continue to report on the environmental footprint of our banking operations, which represents the greatest opportunity for us to track and drive initiatives and improvements.

Energy and Emissions	2017 [1][4]	2018 [2][4]	**2019 [3]**
Electricity consumption (MWh)	77,751	94,903	**123,561**
Electricity usage intensity (kWh/ft^2)	22.6	20.7	**21.3**
Scope 2 emissions from purchased electricity (tonnes CO_2e)[5][6]	38,216	51,558	**74,060**
Scope 2 emissions intensity (kgCO_2/ft^2)	11.1	11.3	**12.8**
Water	2017 [1]	2018 [2]	**2019 [3]**
Total water usage (m^3)[7]	333,947	501,464	**609,760**
Water usage intensity (m^3/ft^2)	0.1	0.1	**0.1**
Paper			
Office paper usage (tonnes)[8]	303	258	**239**

Notes:

(1) Energy, water usage and GHG emissions data for 2017 only included OCBC-occupied buildings, offices, branches and subsidiaries (BOS and OSPL) in Singapore, Malaysia and China.

(2) The 2018 data for energy, water usage and GHG emissions include OCBC Wing Hang (China, Hong Kong SAR and Macau SAR).

(3) The electricity consumption, GHG emissions, and total water usage increased significantly in 2019. This is because the reporting scope was extended further by including OCBC NISP.

(4) The electricity usage data for 2017 and 2018 has been restated to cover the entities listed.

(5) OCBC uses the operational control approach for determining GHG emissions.

(6) Emission factor source: Institute of Global Environment Strategies (IGES) — IGES Grid Emission Factors.

(7) The water is supplied from public utilities.

(8) Paper consumption data is only applicable for operations in Singapore.

Our Targets

Eliminate the use of plastic bottled water in all OCBC Singapore offices in 2020

Continue to reduce paper usage by 5% in 2020

Maintain electricity usage in the range of +/-5% of 2019's consumption in 2020

Establish a Supplier Code of Conduct in order to set out the environmental and social responsibilities expected of our suppliers in 2020

Providing Clean Energy Lighting for the Community

Supporting the push towards the use of renewable energy, volunteers from OCBC Singapore and OCBC NISP helped install solar panels to power lighting for 100 households in the village of Desa Sukajadi, Bandung, Indonesia. Introducing this form of clean energy will improve living conditions for these residents who currently have no access to electricity.

Cultivating an Employee Mindset that Supports #noplastics

Our Global Consumer Financial Service (GCFS) Corporate Social Responsibility Team implemented several initiatives to educate and empower staff to stop using single-use plastics. These initiatives included putting up reminder stickers at lift lobbies, distributing reusable cutlery sets and holding plastic-free events.

In 2019, the team launched two "Kopi Cart pantry sessions" to encourage staff to bring their own containers and tumblers in exchange for free food and drinks from social enterprise Pope Jai Thai.

Recycling CNY Red Packets

As red packets are highly sought-after Lunar New Year premiums, we took a more sustainable approach in production to drive the climate change message of reducing carbon emissions.

The red packets for our various markets were printed on FSC-certified paper; we did away with the typical single-use plastic holders for red packets, opting for holders made from environmentally-friendly paper. Design elements promoting forestation, clean waters and quality air were incorporated. The quantity produced was reduced by 10% to minimise waste. In Singapore, we introduced recycling boxes at all branches during the festive period to encourage customers to contribute used or excess red packets, to be pulped for a second lease of use. The pulp generated from more than 4,000 kg of red packets collected can be used to make approximately 10,411 cardboard boxes.

Sustainability Pillar 3: Acting with Integrity

Strong Governance

Why this is Material to Us

Strong governance is the bedrock of our success. Establishing checks and balances enable the Board to have appropriate control and oversight of responsibilities. This is essential to building and safeguarding the trust that stakeholders place in us. Furthermore, fostering good stewardship is key to creating long-term and sustainable value for all our stakeholders.

Our Management Approach

To meet our commitment to the highest standards of corporate governance and ethical conduct, we go beyond legal compliance to establish best practices consistently across the Bank.

The expected standards of behaviour for all employees, including a zero tolerance approach to any form of fraud, bribery and corruption, are set out in the OCBC Code of Conduct and our Group policies. These standards are then implemented through staff communication, engagement, training and assessment.

To promote a culture of strong governance across the Group, some of our key initiatives in 2019 included:

Refreshed Core Values: Lasting Value, Integrity, Forward-Looking, Responsibility and Respect

- Refreshed our core values in 2019 to build a new culture based on long-term thinking and responsible banking, aligned with the Bank's purpose and new brand promise.

New Board Ethics and Conduct Committee

- First Singapore bank to set up an ethics committee to ensure responsible banking. The Board Ethics and Conduct Committee, supported by the Culture and Conduct governance structure, provides oversight to ensure OCBC Group's core values are strongly embedded in our corporate culture and anchor the way employees conduct ourselves. During the year, Ernst & Young was engaged to develop the Bank's culture and conduct programme. Recommendations where relevant have been and will be implemented.

New Culture and Conduct Management Committee

- The new Culture and Conduct Management Committee, chaired by our Group CEO, will strengthen existing policies and programmes within OCBC group, and drive implementation of new initiatives relating to ethics, culture and conduct.

New Group Ethics, Culture and Conduct Department (GECC)

- A new department set up within the Group Legal and Regulatory Compliance Division has been established to support the design and implementation of a Culture and Conduct Programme at both Singapore and Group levels. The GECC will also assist to monitor concerns relating to culture and conduct.

Employee Conduct Triggers (ECT)

- Introduced in 2018, this comprises a set of indicators that monitor employee conduct which was developed as an integral supplement to the existing suite of human resource management tools. In 2019, we extended the ECT programme to key subsidiaries and continue to review it on a regular basis to include more bank-wide and business-specific indicators where necessary.

Internal Control and Fraud Awareness Assessment (ICFAA)

- An annual exercise that the Bank uses to assess employees' level of understanding on internal control, fraud reporting, whistleblowing and cyber and information risk.

Whistleblowing Programme

- Provides a transparent channel for employees and the public to raise concerns. The channels for reporting include: Website: www.ocbcgroup.ethicspoint.com; Hotline: 800-110-1967
- In 2019, a total of 24 anonymous and non-anonymous whistleblowing reports were received by Group Audit through the various reporting channels. The investigations into the whistleblowing reports are independently undertaken by Group Audit and the findings have been and will be reported to the Board Audit Committee.

Our Performance

Maintained
100%
completion of mandatory staff training (fraud awareness, whistleblowing, anti-bribery, anti-corruption) [1]

98%
of employees in Singapore exhibit the right behaviours in accordance with the indicators tracked, as revealed by ECT

96%
of employees have a good level of awareness on internal control, fraud reporting, whistleblowing and cyber and information risk, as revealed by the ICFAA

1 *The training performance includes employees in Singapore, China and other international branches.*

Our Targets

Maintain
100%
completion rates for mandatory staff training in 2020 (on fraud awareness, whistleblowing, anti-bribery and anti-corruption)

The Best Risk Management Award
at the Singapore Corporate Awards 2019

For further information on our approach to strong governance, please refer to our Corporate Governance on pages 84 – 101.

Delivering on Our SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Fair Dealing

Why this is Material to Us

Our continued success as a financial services group is dependent on our ability to build enduring relationships with our customers. This involves treating our customers with respect and integrity, and consistently dealing with them in a fair and professional manner.

Our Management Approach

Fair Dealing has always featured prominently in our core values. Specifically, our value of 'Integrity' underscores Fair Dealing as the basis of our business.

In line with our pledge to customers to be *Simply Spot On* in meeting their needs, we are committed to dealing with them by:

- Providing them with clear, relevant and timely information to help them make informed decisions.
- Recommending only products that are aligned with their financial objectives and risk profiles.
- Training and certifying our sales employees so that they are equipped to give appropriate advice and recommendations.
- Treating customer feedback and complaints seriously, and ensuring that issues are addressed in an effective and prompt manner.

Some of our key initiatives include:

Fair Dealing Committee and Framework

- Oversees strategic initiatives and measurement to ensure Fair Dealing outcomes, including quarterly reviews of the state of fair dealing at the Bank and its subsidiaries. In 2019, no adverse issues were encountered in its reviews.
- To measure and monitor the achievement of the Fair Dealing outcomes, a Monitoring Programme has been put in place. The results of the Monitoring Programme covering both quantitative and qualitative aspects form the basis for the committee to ascertain the Fair Dealing performance of the Bank.
- The quantitative components in the Monitoring Programme include the number of misconduct cases reported to MAS, audit results, compensation amount arising from mis-sellings and the MAS Balanced Scorecard results, covering financial, operational and business areas. The final quantitative grade of Green, Amber or Red is ascertained from the numeric results of these components.
- The qualitative assessment of misconduct cases found to be of a systemic nature can affect the final grade.
- The 'traffic light' system of measurement is a comprehensive and independent approach to identify gaps quickly and ensure that they are addressed appropriately.

Product Suitability Committee, Policy and Framework

- Governs the approval of new investment products, ensuring that they are offered appropriately to the Bank's target customer segments. 56 new investment products were approved in 2019.

A personal financial consultant ensuring a customer understands the features and risks of an investment product.

Refreshed Core Values – Creating Sustainable Value for Our Stakeholders

The Bank's refreshed core values were rolled out in May 2019, reflecting a broader and deeper commitment to create value that is truly sustainable for shareholders, employees and the communities we serve. Integrity remains a key value, underlining the Bank's commitment to conducting our business fairly.

Our Performance

100%
completion of mandatory Fair Dealing e-learning module [1]

100%
attendance in product suitability training and assessment for Product Managers [2]

No significant case of mis-selling from a regulatory breach perspective

1 *Statistics include employees in Singapore and Malaysia only.*
2 *Statistics include Product Managers in Singapore only.*

Our Targets

Maintain
100%
completion rates for mandatory staff training in 2020

Maintain zero significant cases of mis-selling in 2020

Sustainability Pillar 3: Acting with Integrity

Combating Financial Crimes and Cyber Threats

Why this is Material to Us

Financial crimes and cyber threats have the potential to disrupt our banking services and result in financial losses impacting our customers, our organisation and the wider economy. As banks provide greater digital convenience and products, digital platforms will increasingly become a target for cyber-attacks, fraud, money laundering and the financing of terrorism. To uphold the trust of our stakeholders, it is vital for us to be resilient against these risks.

Our Management Approach

We adopt a holistic approach to combating financial crimes and cyber threats, ensuring that all our products and services have security built-in by design.

We have instituted a comprehensive framework of policies and practices, realised through active corporate risk governance.

We are continuously investing in new technologies to protect customers' information and money, while providing a frictionless banking experience.

Furthermore, combating financial crimes and cyber threats require collaboration and partnership. At the industry level, we work with partners [1] to raise standards and actively share information on cyber and fraud threats.

We regularly validate the effectiveness of the safeguards established and promptly resolve any issues that arise. We monitor our networks for cyber threats through a 24-hour Cybersecurity Operations Centre.

Some of our key initiatives in 2019 included:

Anti-Fraud Measures

- Further enhanced anti-fraud measures protecting our customers' online transactions.
- Deployed a new system which detects compromised devices interacting with OCBC online banking platforms.
- Disseminated public education messages on cyber fraud and scams.
- Enhanced detection systems and processes to protect customers who may be victims of scams.
- Collaborated with the police and other financial institutions.

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

- Member of the AML/CFT Industry Partnership (ACIP).
- Continued to leverage Artificial Intelligence (AI) and machine learning to enhance the detection of suspicious activity.

Cyber Resilience

- Enhanced preventive, detective and response capabilities to manage advanced cyber threats.
- Issued guides to promote safe adoption of specific emerging technologies such as Robotics Process Automation (RPA) and Internet of Things (IoT).
- Organised and conducted various emerging technology forums to foster bank-wide learning and sharing.

Our Performance

S$15.1m
stopped from falling into the hands of fraudsters through our anti-fraud programme

34
awards received from the Singapore Police Force in recognition of our fraud prevention efforts

100%
completion of mandatory biennial AML and CFT training and assessment

100%
completion of Annual Cyber and Information Risk Awareness Online Training and Assessment Course

100%
of employees included in the Social Engineering Test Programme

Our Targets

Maintain
100%
completion of mandatory AML and CFT training and assessment in 2020

Maintain
100%
inclusion of employees in the Social Engineering Test Programme in 2020

Maintain
100%
completion of Annual Cyber and Information Risk Awareness Online Training and Assessment course in 2020

(1) Partnerships include the Association of Banks in Singapore Standing Committee on Cyber Security (ABS SCCS), the Financial Services Information Sharing and Analysis Centre (FS-ISAC) and the Alliance of Public Private Cybercrime Stakeholders (APPACT).

For more information on our Cyber Resilience strategy and policy, please visit our website.

Delivering on Our SDGs

Appreciation plaque awarded by the Singapore Police Force to the Bank for preventing a scam on a customer.

Sustaining Trust in Our Banking Environment

Protecting our customers against fraudsters who target them through various scams has been the Bank's focus for many years although such cases are extremely difficult to detect.

In recognition of its efforts, the Bank received 34 awards from the Singapore Police Force for detecting and preventing customers from falling victim to scams. One such case involved a customer who transferred S$205,000 to an account in Malaysia after receiving an email purportedly from his supplier. The transaction was flagged by the Bank's fraud detection system and our fraud analyst then escalated the incident. Upon confirmation by the customer that this was indeed a case of fraud, the Bank then worked with its counterparts to freeze and subsequently returned the money to the grateful customer. As customer awareness is the best defence against such scams, the Bank, with the Singapore Police Force, actively carries out public awareness campaigns with messages that appear in the mainstream news media. Efforts in this area strengthen the Bank's brand and maintain trust in the banking environment.

Enhancing Industry's Technology Risk Management Practices

OCBC technology risk professionals volunteered to lead and participate in an industry-level Working Group, comprising more than 70 professionals across 16 organisations, to co-create a new set of Technology Risk Management Guidelines with MAS. The revised Guidelines aim to promote the adoption of sound practices for the management of technology risk, and will supersede the current version once finalised by the MAS.

Regular brainstorming sessions to co-create the new Technology Risk Management Guidelines.

Training Employees to Become Cyber Security Specialists

This year, in addition to our existing comprehensive awareness training and testing regime, we launched a new cyber risk, security and assurance training programme. The programme was created in partnership with Temasek Polytechnic to train up to 200 of the Bank's employees to be cyber risk analysts, cyber security specialists and cyber auditors in the next three years. This Cyber Certification Pathway is part of OCBC's Future Smart Programme.

At OCBC, we strongly believe that people will be the most important line of defence against potential threats. The Bank takes great efforts to ensure that our people are aware of and trained to deal with existing and emerging risks. – Vincent Choo, Group Chief Risk Officer

Launch of the OCBC Cyber Certification Pathway as part of OCBC's Future Smart Programme.

Sustainability Pillar 4: Valuing Our People

Inclusive Workforce

Why this is Material to Us

We believe in the importance of creating an inclusive workplace, building a culture that embraces differences and recognises the value and contributions of individuals at all levels of employees.

Our Management Approach

Our approach ensures that we cultivate a workplace culture where all employees are provided with equal opportunities and different views are valued. This includes policies on issues such as:

- **Learning and Development:** We offer a compelling work experience and a wide range of relevant training and development programmes to empower employees to realise their full potential and take charge of their learning journey. For more information, please refer to pages 78 and 79.
- **Diversity and Inclusion:** The OCBC Employer Brand articulates our programmes and policies, which are anchored on three Employer Brand pillars: Caring, Progressive and Delivering a Difference.
- **Work-Life Integration:** We support our employees' aspiration to succeed in both their careers and personal lives, offering flexible work arrangements for working parents who need to juggle demands both at home and at work. We also provide childcare centres with full facilities at three of our sites.
- **Anti-Bullying and Harassment:** Our Code of Conduct has guidelines for our employees concerning anti-bullying and harassment. We have a robust grievance handling procedure in place for employees to share their concerns without any fear of retaliation.

It is also important for us to ensure that we continue to be a learning organisation, with adaptable employees who are willing to step up and share with their peers. Some of our key initiatives this year included:

Expansion of Mentorship Opportunities for Female Employees

- In its second year, half of the mentors volunteered to return in the MentorMe programme and the number of mentor-mentee pairs increased to 26. This nine-month mentorship programme allows senior leaders within the Bank to provide support to female employees to help them achieve personal and professional success.

LifeRefresh@OCBC Programme for Older Employees

- This year, our lifelong programme for employees aged 50 and above centred around four main pillars – strengths building, financial planning, health and wellness and digital learning. The 2019 programme included workshops to help them understand their strengths better and build social networks for the next life stage, financial planning to help them better plan for retirement and ageing simulation and longevity optimisation to raise awareness on healthy ageing.

We also invest heavily in upskilling our employees so they can embrace digitalisation. These initiatives are highlighted on page 78.

MyWellness Fiesta

Our inaugural employee wellness day, MyWellness Fiesta, was held on 14 October 2019 featuring a variety of activities for employees to enhance their health and wellness. During the one-day programme, employees were offered complimentary services including chiropractic screenings, genetic test kits and consultations on Traditional Chinese Medicine (TCM). We also organised talks on sleep apnea, nutrition, workplace injuries and mental health.

I went to the TCM booth at MyWellness Fiesta and it inspired me to see a senior TCM doctor to understand my overall health in greater detail. She gave me an accurate diagnosis and I was given medication and great advice on how to take care of my body. Within days, I felt the strongest this year so I am glad that the TCM booth was a catalyst for this.

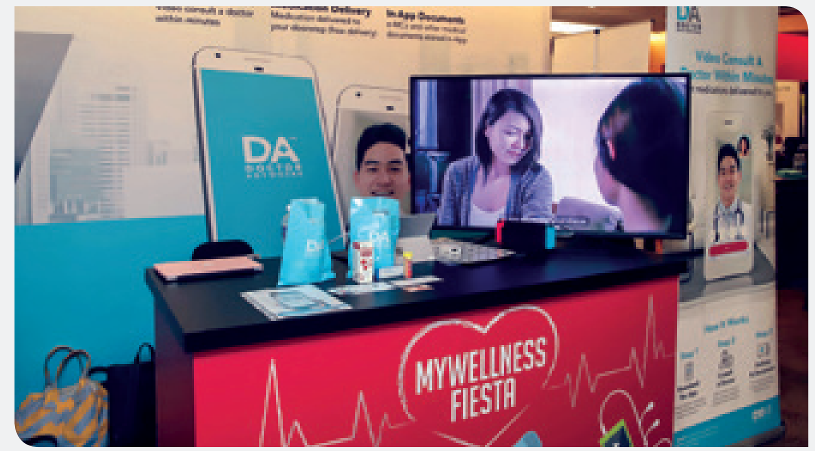
– Luanna Teo, Assistant Vice President, OCBC Securities

MyWellness Fiesta 2019 was organised by Group Human Resources to offer all our employees the opportunity to explore, learn and find how they can best enhance their personal health and wellness.

Delivering on Our SDGs

Sustainable Employment Pledge

In 2019, OCBC Bank was one of the early adopters of the Singapore Business Federation's (SBF) Sustainable Employment Pledge. Together with more than 60 companies to date, OCBC Bank has pledged to make at least one improvement to our practices in sustainable employment every 12 months. With this pledge, OCBC also supports the six key recommendations in the SBF's "Sustainable Employment – Achieving Purposeful Business Success Together". These six key recommendations are aimed to nurture a more inclusive society in Singapore by addressing the employment needs of the elderly, the less well-off, and those vulnerable to job disruption.



We launched Telehealth for our employees to provide them with the option of having GP consultations virtually.

Virtual GP Consultation for Employees

Together with DoctorAnywhere, we launched Telehealth to provide virtual GP consultations at the convenience of our employees. Employees will now be able to have appointments with GPs registered with the Singapore Medical Council within minutes and have medication delivered to them.

Ageing Simulation Exercise for Employees

To raise awareness on aging, we held a new programme this year where employees put on ageing simulation suits and completed daily activities. This helped to raise awareness on how aging feels physically and mentally, to encourage them to take better care of their health. In addition, it allowed them to empathise and communicate better with seniors.

The course allowed us to be more aware of the signs of ageing from two perspectives. I am able to put myself in the shoes of an elderly person to understand what it feels like to age through ageing simulation and empathise deeply with them as they can't see or hear as clearly as younger individuals.

– Low Bee Hong, Manager, Group Human Resources Division

Our Performance [1]

Maintained a balanced gender ratio, with
41%
male and
59%
female employees

40%
of women in leadership positions

1 *Statistics include employee at OCBC Group, excluding PT OCBC Sekuritas Indonesia, OCBC Capital Malaysia Berhad and BOS Wealth Management Malaysia Berhad.*

Our Targets

Achieve
42%
of women in leadership positions over the next 3 years

Maintain a balanced gender mix across our workforce in 2020

Best Employer Singapore & Malaysia
awarded by KINCENTRIC

Family Champion Award (Corporate)
awarded by Focus on the Family Singapore

IBF Workforce Transformation Award
awarded by The Institute of Banking and Finance Singapore

Sustainability Pillar 4: Valuing Our People

Talent Management and Retention

Why this is Material to Us

The needs of society continue to evolve with changing demographics and advancements in technology. As employees are critical assets of the Bank, it is imperative that we continue to attract, retain and invest in the best talent to ensure that our business is future-ready.

Our Management Approach

We are committed to developing our employees throughout their career at the Bank, helping them to realise their full potential to thrive in the rapidly-changing economy.

For our employees to thrive in the future world, more than 150 job roles were reviewed. We identified one-third to have high transformation potential and ensured development plans are in place. In 2018, OCBC launched the Future Smart initiative, our largest scale and most ambitious digital transformation initiative to date, where we committed to invest S$20 million in the development of our employees over three years.

This year, we continue to move employee development forward with our strategic thrust, with a focus on upskilling and reskilling our employees in key digital competencies. Future Smart is a group wide initiative and is rolled out to all key markets and entities in OCBC Group.

OCBC Future Smart Programme is focused on seven skillset and mindset pillars and four proficiency levels, from awareness to mastery levels.

First Bank in Asia to Launch AI Scholarship

- Launched the postgraduate OCBC AI Scholarship in partnership with the National University of Singapore (NUS), Nanyang Technological University (NTU) and Singapore Management University (SMU).
- The OCBC Regional Undergraduate Scholarship was also launched to support talent with regional aspirations to study overseas and gain regional exposure.

New Digital Internship Programme – ProDiGi

- OCBC NISP launched ProDiGi, a new digital internship programme that aims to nurture talent through intensive mentorship, workshops and an opportunity to gain work experience in Singapore.
- In 2019, 123 students applied and competed to be one of the top three winning ideas, the Best Prototype award and a coveted spot in the internship.

Launch of Two Certification Pathways

- Launched a data certification pathway in collaboration with Ngee Ann Polytechnic to grow the pool of data scientists and data analysts in Singapore. All 13 modules were developed in consultation with OCBC subject matter experts and industry practitioners. The courses are also funded under Skills Future and are available to the general public in Singapore through Ngee Ann Polytechnic.
- Launched the Cyber Certification Pathway comprising 16 modules and simulation hacks to develop up to 200 Cyber Risk Analysts and/or Cyber Security Specialists.

In addition, we revamped our suite of executive development programmes (EDPs) to ensure they remain relevant to the needs of the business:

- **New Senior Leaders Programme (BOLD)** A flagship 9-month programme in partnership with IESE to help senior leaders overcome the increasingly complex challenges of a fast-changing world, tackling topics such as sustainability and digital transformation.
- **New OCBC Nanyang Technological University Executive Development Programme (OCBC NTU EDP)** Co-developed with Nanyang Technological University, the programme saw employees from various countries and subsidiaries [1], participating in the inaugural one-week programme which focused on developing leadership skillsets and transforming mindsets from "I" to We".
- **Graduate Talent Programme** Extended from one to two years, incorporating compulsory attachments at Branch, Compliance and Operations, to provide young talents with a holistic experience of the Bank.

Our Performance

Maintained an average of **6 days** of learning and development for employees

Continued our investment of **S$20m** over three years (from 2018 – 2020) to equip all employees with digital skills

Our Targets

Maintain employee engagement score above **70%** in 2020 Employee Engagement Survey (results to be published in 2021)

Ensure all employees continue to have access to career development opportunities within the Bank through internal channels and programmes

Talent Development Award
awarded by Hong Kong Institute of Bankers (HKIB)

Excellence In Leadership Development (Gold)
HR Excellence Awards 2019

(1) Countries include Singapore, Malaysia, Indonesia, China (including Hong Kong SAR). Subsidiaries include Bank of Singapore, Great Eastern Life and Lion Global Investors.

Delivering on Our SDGs

Future Smart Future Workforce Learning Festival

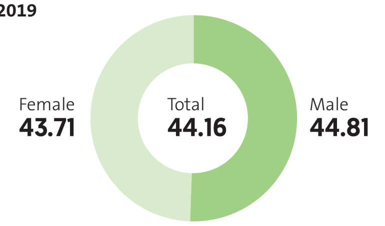
The Bank organised the Future Smart Future Workforce Learning Festival in four countries, encouraging employees to take charge of their own development. Employees across the OCBC Group took part in various activities including attending lunch talks and panel discussions by industry experts, as well as visiting booths showcasing innovations from across the business.

OCBC Group CEO Samuel Tsien conversing with Nadine the social robot. She is powered by intelligent personal assistant software and recognises facial expressions and emotions. She reminded him about his upcoming appointments, retrieved his speech and shared a report with key market insights for his meeting happening the next day.

Our Performance [1]

Average Training Hours by Gender

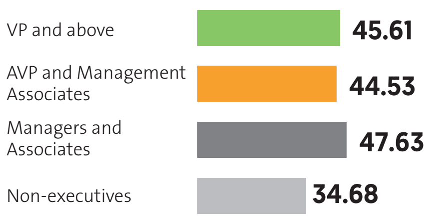
2019



	2018	2017
Male	47.19	51.60
Female	47.43	49.23
Total	47.33	50.20

Average Training Hours by Employee Category

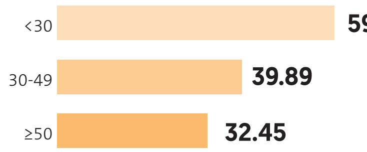
2019



	2018	2017
VP and above	45.04	47.71
AVP and Management Associates	46.23	52.91
Managers and Associates	55.18	58.04
Non-executives	29.42	30.13

Average Training Hours by Age Group (years old)

2019



	2018	2017
<30	60.93	63.72
30 – 49	43.52	44.65
≥50	32.23	36.12

(1) Statistics include permanent staff at OCBC Group, excluding PT OCBC Sekuritas Indonesia, OCBC Capital Malaysia Berhad and BOS Wealth Management Malaysia Berhad.

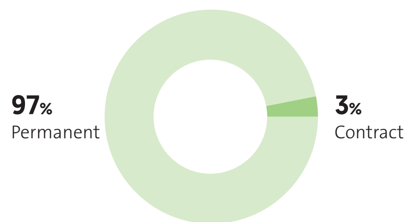
Sustainability Pillar 4: Valuing Our People

Our Performance (2019)

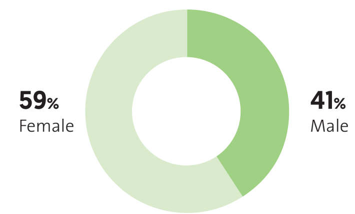
Total Workforce [1]

30,492

Employment Nature [2]

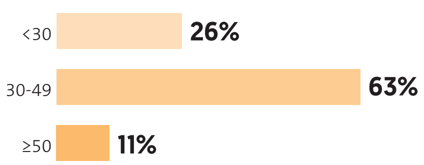


Gender [2]



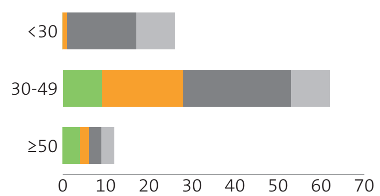
Workforce by Age Group (Permanent and Contract Staff) [2]

Age Group

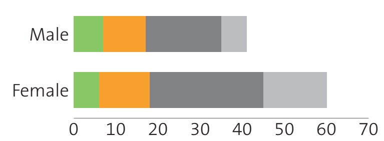


Employee Category by Age Group (Permanent and Contract Staff) [2]

Age Group



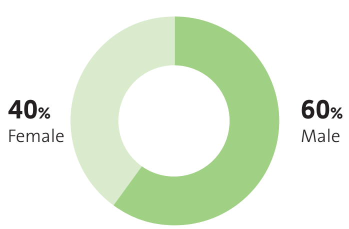
Employee Category by Gender (Permanent and Contract Staff) [2]



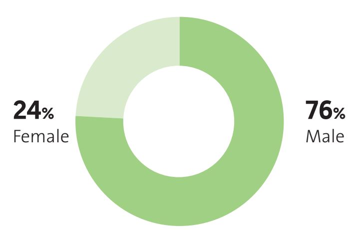
VP and above *AVP and Management Associates* *Managers and Associates* *Non-executives*

Representation of Female Leaders

Leadership Positions [3]



Senior Management Positions



OCBC Group supports the development of leaders and aims to create an equal opportunity working environment.

(1) Statistics include permanent and contract staff at OCBC Group.
(2) Statistics include permanent and contract staff at OCBC Group, excluding PT OCBC Sekuritas Indonesia, OCBC Capital Malaysia Berhad and BOS Wealth Management Malaysia Berhad.
(3) Statistics include only permanent staff at OCBC Group, excluding PT OCBC Sekuritas Indonesia, OCBC Capital Malaysia Berhad and BOS Wealth Management Malaysia Berhad.

Delivering on Our SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Total Workforce [1]

	2018			2017		
	<30	30 – 49	≥50	<30	30 – 49	≥50
Workforce (Permanent and Contract Staff)	29%	60%	11%	33%	59%	8%
Employee Category by Age Group (Permanent and Contract Staff)						
	<30	30 – 49	≥50	<30	30 – 49	≥50
VP and above	0%	9%	4%	2%	9%	3%
AVP and Management Associates	19%	18%	3%	1%	17%	2%
Managers and Associates	19%	26%	3%	21%	25%	2%
Non-executives	9%	7%	2%	10%	8%	2%

Employee Category by Gender (Permanent and Contract Staff)				
	Male	Female	Male	Female
VP and above	7%	6%	6%	6%
AVP and Management Associates	10%	11%	9%	11%
Managers and Associates	19%	28%	19%	28%
Non-executives	5%	13%	6%	14%

New Hire (Permanent Staff Only)

The new hire and attrition rates indicate the stability of our workforce within the organisation.

Age Group (years old)	2019 [2]	2018 [3]	2017 [3]
<30	49%	52%	68%
30 – 49	48%	46%	31%
≥50	3%	2%	1%
Gender			
Male	49%	48%	47%
Female	51%	52%	53%
New Hire Rate			
	20%	20%	18%
Total			
	5,784	4,874	3,483

Attrition (Permanent Staff Only)

Age Group (years old)	2019 [2]	2018 [3]	2017 [3]
<30	39%	43%	47%
30 – 49	53%	51%	47%
≥50	8%	6%	6%
Gender			
Male	47%	46%	45%
Female	53%	54%	55%
Attrition Rate			
	17%	19%	18%
Total			
	4,899	4,551	3,753

(1) Statistics include permanent and contract staff at OCBC Group in 2017 & 2018, excluding Great Eastern Holdings and Lion Global Investors.
(2) Statistics include only permanent staff at OCBC Group in 2019, excluding PT OCBC Sekuritas Indonesia, OCBC Capital Malaysia Berhad and BOS Wealth Management Malaysia Berhad.
(3) Statistics include only permanent staff at OCBC Group in 2017 & 2018, excluding Great Eastern Holdings and Lion Global Investors.

Sustainability Pillar 5: Engaging Communities

Delivering on Our SDGs

7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 13 CLIMATE ACTION

Community Development

Why this is Material to Us

Giving back to society is an integral part of OCBC's corporate culture. By engaging and supporting the communities where we operate, and by doing our part to protect the environment, we help to shape a more sustainable society.

Our Management Approach

We continue to give back through our #OCBCCares Programme, helping the more vulnerable in society and meeting unmet needs.

Across our markets, we make a difference through targeted programmes across four themes, in line with our commitment to the SDGs:

- **Families:** Supporting cohesive and healthy communities
- **The Elderly:** Meeting the health and social interaction needs of an ageing population
- **Persons with Special Needs:** Encouraging social inclusion and acceptance
- **Environmental Sustainability:** Promoting environmentally responsible behaviour and supporting conservation efforts to fight climate change

This year, our key initiatives include:

OCBC-NTUC First Campus Bridging Programme—Making Preschool Education Accessible to Children from Low-Income Families

OCBC Bank and staff contributed S$1 million to kickstart this five-year programme to fund an average of two years of preschool education for children from low-income families who enrol at MyFirstSkool.

The programme will help an estimated 2,500 children from 2020 to 2024.

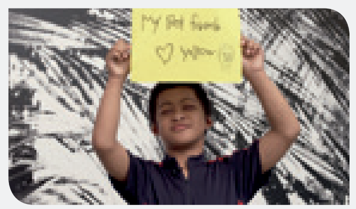
As added support, our staff volunteers from the wealth management team will conduct financial literacy workshops to help parents better manage their finances. These workshops will be held every quarter during our five-year programme.

Project Belanja!—Hot Meals from Neighbourhood Stalls for Vulnerable Seniors

We funded Food from the Heart's (FFTH) launch of Project Belanja!—a fuss-free move that allows seniors to redeem free and nutritious meals at selected food stalls in their neighbourhood by scanning a QR code. Besides minimising administration and paper work, Project Belanja! encourages these seniors to step out of their homes to socialise. The redemption system can also flag individuals who stop redeeming meals, promoting FFTH staff to follow up and check on their well-being.

A Snapshot of #OCBCCares Programmes in 2019:

Staff volunteers, including Group CEO Samuel Tsien, invited seniors and special needs youths to the first preview of "From Singapore to Singaporean: The Bicentennial Experience" which showcased Singapore's 200-year history.



Our volunteers and students from the MINDS-Woodlands Garden School marked World Down Syndrome Day with different expressions of colour to make a statement—that everyone can do their part to celebrate uniqueness, inclusion and acceptance.

Volunteers organised an afternoon of games and craft activities to encourage seniors from the AWWA Senior Community Home to exercise their motor and cognitive skills.

Our Performance

11,347
volunteers stepped up

52,513
hours of service

138,988
individual beneficiaries helped, ranging from vulnerable seniors, children and youth, to people with special needs and low-income families

S$1.8m
donated

982
activities organised across geographies

>3,000
trees planted across Singapore, Malaysia and Shanghai to absorb and store CO_2, the biggest climate changer

Our Targets

Boost employee support for the community and target to increase volunteer hours by
10%

Progressively enhance our support for the community through an increasingly sustainable and strategic approach

Economic Contributions

Why this is Material to Us

Economic growth should be a positive force in society that creates lasting and inclusive benefits. This is imperative for sustainable development. To build and maintain public trust, we must be transparent about the value we create and how this is distributed to our stakeholders.

Our Management Approach

As a business, our stakeholders rely on us to create value. Therefore, we undertake a disciplined pursuit of growth, supported by responsible and sustainable business practices.

Our main economic contributions are:

- Compensation that goes to our employees
- Taxes to the authorities
- Retained earnings and dividends to our shareholders
- Financing our customers to help them grow and create employment
- Payment to our suppliers

Our Target

Continue to support the growth of the local economy wherever possible

Our Performance

Economic Contributions (1)	2017 (2)	2018	2019
Group Total Income	S$9.53b	S$9.70b	**S$10.87b**
Group Income Tax	S$803m	S$877m	**S$778m**
Group Dividends Paid	S$1.55b	S$1.82b	**S$2.31b**
Retained Earnings	S$21.88b	S$23.44b	**S$25.78b**
Group Staff Compensation	S$2.47b	S$2.61b	**S$2.84b**
Group Number of Employees	29,174	29,706	**30,492**

Supply Chain Spending	2017	2018 (3)	2019
Total Supply Chain Spending	S$1.18b	S$1.89b	**S$1.79b**
Local Spending	92%	92%	**92%**
Total Vendors	9,380	10,552	**10,741**
Local (4) Vendors	90%	90%	**90%**

Notes:
(1) *To be consistent with our financial statements, we have included the performance of Great Eastern Holdings in this table.*
(2) *Figures for 2017 have been restated with the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)).*
(3) *Figures for 2018 have been restated due to data refinements.*
(4) *Local is defined as registered in same country.*

Corporate Governance

OCBC Bank is fully committed to living its core values and fair dealing in all its activities. The Bank's core values are captured as LIFRR which stands for Lasting Values, Integrity, Forward-looking, Respect and Responsibility. The Bank upholds the highest standards of corporate governance and complies in all material aspects with corporate governance regulations, code and guidelines established in Singapore.

Disclosures made pursuant to the Bank's corporate governance practices are summarised on pages 100 and 101 of this Annual Report.

Board Matters

Principle 1: The Board's Conduct of Affairs

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interests of the Bank as a whole while taking into account the interests of shareholders and other stakeholders. The Bank has a board charter approved by the Board.

Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy as well as organisation structure, as developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank operates in such a way as to preserve its financial integrity and in accordance with policies approved by the Board;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and, through the Risk Management Committee, the quality of the risk management processes and systems;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with its strategic intent, the operating environment and effective internal controls, as well as capital sufficiency and regulatory standards;
- overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- establishing corporate values and standards, emphasising integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- overseeing, through the Nominating Committee, the appointments, re-election, resignation and retirement of Directors of the Bank as well as the appointment, dismissal, resignation and retirement of senior management, ensuring that principles of transparency and meritocracy are observed;
- overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework, and ensuring that remuneration practices are aligned to and in accord with the remuneration framework;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, including interim and other price-sensitive public reports as well as reports to regulators;
- ensuring that obligations to shareholders and others are understood and met;
- maintaining records of all meetings of the Board and Board Committees, particularly records of discussion on key deliberations and decisions taken;
- identifying the key stakeholder groups, recognising that perceptions affect the Bank's reputation; and
- considering sustainability issues, e.g. environmental and social factors, as part of strategy formulation.

Directors with conflicts of interests are required under the Bank's Constitution to recuse themselves from meetings and decisions involving issues of conflicts.

Board Approval

The Bank has documented internal guidelines for matters that require Board approval. These guidelines are communicated to management in writing. Matters which are specifically reserved for Board approval, amongst others, are:

- material acquisition and disposal of assets;
- corporate or financial restructuring; and
- share issuance, dividends and other returns to shareholders.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and management to optimise operational efficiency.

Board Access to Information

As a general rule, Directors are provided with complete information related to agenda items about seven days before each meeting to allow adequate time for review. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, operating plans, forecasts, and reports of variances from operating plans and forecasts.

The Board and its committees have unfettered access to information which the Bank is in possession of and to the Bank's senior management and Company Secretary. The Directors, individually or as a group, can also take independent professional advice from legal firms at the Bank's expense. The role of the Company Secretary is defined. The Company Secretary attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its committees and between senior management and non-executive Directors, and facilitates the orientation of new Directors and professional development of Directors, as required. The appointment and removal of the Company Secretary is considered to be a matter for the Board as a whole.

Board Committees

While the Board has ultimate responsibility for the affairs of the Bank, various Board Committees have been established to assist the Board in discharging its duties more effectively. The Board Committees have clearly-defined terms of reference and changes to the terms require Board approval. The Board and its committees maintain records of all meetings setting out in detail key deliberations and decisions taken. The minutes of each committee meeting are also circulated to members of the Board who are not members of that particular committee. The composition and summary terms of reference of each of these committees are as follows.

- **Executive Committee**

  The Executive Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Lee Tih Shih, Mr Quah Wee Ghee, Mr Tan Ngiap Joo, Mr Samuel N. Tsien and Mr Wee Joo Yeow. A majority of the Committee, i.e. Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow, are independent Directors.

  The Committee has written terms of reference that describe the responsibilities of its members.

  The Executive Committee oversees – within the parameters delegated by the Board – the management of the business and affairs of the Bank and the Group. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates such special reviews and actions as are appropriate for the prudent management of the Bank.

- **Nominating Committee**

  The Nominating Committee comprises Mr Wee Joo Yeow (Chairman), Mr Ooi Sang Kuang, Ms Christina Ong, Mr Pramukti Surjaudaja and Mr Tan Ngiap Joo. A majority of the Committee, i.e. Mr Wee Joo Yeow, Mr Ooi Sang Kuang, Ms Christina Ong and Mr Tan Ngiap Joo, are independent Directors.

  The Committee has written terms of reference that describe the responsibilities of its members.

  The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes reviewing all nominations for the appointment, election or re-election – as well as resignations or retirement – of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee, Risk Management Committee and Ethics and Conduct Committee. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. In addition, it reviews nominations for and dismissals or resignations or retirement of senior management positions in the Bank, including the Chief Executive Officer (CEO), Deputy President, Chief Financial Officer, Chief Risk Officer and Chief Information Officer (Head, Group Operations and Technology). It makes recommendations to the Board on all such appointments, including the compensation package for offer of employment, promotion and cessation of employment. The Nominating Committee reviews obligations arising in the event of the termination of the contracts of service of executive Directors and senior management, to ensure such contracts contain fair and reasonable termination clauses.

Corporate Governance

- **Audit Committee**
  The Audit Committee comprises Mr Chua Kim Chiu (Chairman), Mr Ooi Sang Kuang, Mr Tan Ngiap Joo and Ms Tan Yen Yen. All the Committee members are independent Directors. Three members, including the Chairman, have recent and relevant accounting or related financial management expertise or experience. The members have not been partners or directors of KPMG LLP, the external auditors for the financial year 2019, and none of them hold any financial interest in KPMG LLP.

  The Audit Committee performs the functions specified in the Companies Act, the Code of Corporate Governance 2018 (the Code), the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual, and the corporate governance regulations and guidelines issued by the Monetary Authority of Singapore (MAS).

  The Committee has written terms of reference that describe the responsibilities of its members. The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time and no fewer than four times a year. It has full access to and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

  Further information on the Audit Committee is provided under Principle 10 on pages 96 to 98.

- **Remuneration Committee**
  The Remuneration Committee comprises Mr Tan Ngiap Joo (Chairman), Mr Ooi Sang Kuang, Mr Koh Beng Seng, Ms Christina Ong, Ms Tan Yen Yen and Mr Wee Joo Yeow. A majority of the Committee are independent Directors. All are well versed in executive compensation matters, given their extensive experience in senior corporate positions and major appointments.

  The Committee has written terms of reference that describe the responsibilities of its members.

  The Remuneration Committee recommends to the Board a framework for determining the remuneration of executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It is empowered to review the human resource management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives and Directors. In addition, the Remuneration Committee administers the various employee share ownership schemes. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by MAS from time to time.

- **Risk Management Committee**
  The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Koh Beng Seng (Chairman), Mr Ooi Sang Kuang, Mr Chua Kim Chiu, Mr Samuel N. Tsien and Mr Wee Joo Yeow. All the Committee members, except Mr Samuel N. Tsien, are non-executive Directors. Members of the Committee have relevant technical financial understanding in risk disciplines or business experience. Mr Ooi Sang Kuang and Mr Chua Kim Chiu also serve on the Audit Committee. The common membership helps to facilitate communication and foster the sharing of information and knowledge between the two committees.

  The Committee has written terms of reference that describe the responsibilities of its members.

  The Committee sets the overall risk management philosophy, approves risk management frameworks and major policies, as well as reviews the risk profile, risk tolerance level and risk strategy of the Bank for effective risk management. The Committee reviews the scope, effectiveness and objectivity of Group Risk Management, the risk reports that monitor and control risk exposures, and risk disclosure policy and risk management principles for the approval of the Board. It also oversees the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis, including ensuring the adequacy of risk management practices for material risks. The Chief Risk Officer has a direct reporting line to the Committee as well as to the CEO.

  Activities performed by the Risk Management Committee are also described under the section on Risk Management on pages 105 to 116.

- **Ethics and Conduct Committee**
  The Ethics and Conduct Committee supports the Board in overseeing ethics and conduct within the Bank. The Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Lee Tih Shih, Ms Christina Ong and Mr Pramukti Surjaudaja. All the Committee members are non-executive Directors.

  The Committee has written terms of reference that describe the responsibilities of its members.

  The Committee reviews and assesses the state and implementation of ethics and conduct programmes and initiatives, including matters relating to fair dealing with customers, to ensure proper behaviour within the Bank in respect of ethics and conduct. It also reviews policies and guidelines pertaining to ethics and conduct to ensure they are relevant and up to date, and reviews communications to stakeholders on ethics and conduct and their effectiveness with regard to the reputation of the Bank. During the year, Ernst & Young was engaged to develop the Bank's culture and conduct programme. Recommendations where relevant have been made and will be implemented. The Committee supports a strong and responsible organisation culture firmly founded on the Bank's core values.

Directors' Attendance at Board and Board Committee Meetings in 2019

Name of Director	Board		Executive Committee		Audit Committee	
	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended
Ooi Sang Kuang [2]	5	5	3	3	–	–
Chua Kim Chiu	5	5	–	–	5	5
Koh Beng Seng [3]	1	1	–	–	–	–
Lai Teck Poh	5	5	–	–	5	5
Lee Tih Shih [4]	5	5	3	3	–	–
Christina Ong [5]	5	5	–	–	5	5
Quah Wee Ghee [6]	5	5	3	3	–	–
Pramukti Surjaudaja [7]	5	5	–	–	–	–
Tan Ngiap Joo	5	5	3	3	5	5
Samuel N. Tsien	5	5	3	3	–	–
Wee Joo Yeow	5	5	3	3	–	–

Name of Director	Nominating Committee			Remuneration Committee		Risk Management Committee		Ethics and Conduct Committee		AGM
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting		
	Held [1]	Attended	Attended	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended	
Ooi Sang Kuang [2]	2	2	4	3	3	6	6	2	2	1
Chua Kim Chiu	–	–	–	–	–	6	6	–	–	1
Koh Beng Seng [3]	–	–	–	1	1	1	1	–	–	–
Lai Teck Poh	2	2	3	–	–	6	6	–	–	1
Lee Tih Shih [4]	2	2	2	–	–	–	–	2	2	1
Christina Ong [5]	–	–	–	3	3	–	–	2	2	1
Quah Wee Ghee [6]	–	–	–	3	3	–	–	–	–	1
Pramukti Surjaudaja [7]	–	–	–	–	–	6	6	–	–	1
Tan Ngiap Joo	2	2	3	3	3	–	–	–	–	1
Samuel N. Tsien	–	–	–	–	–	6	6	–	–	1
Wee Joo Yeow	2	2	3	3	3	6	5	–	–	1

Notes:
(1) *Reflects the number of meetings held during the time the Director held office.*
(2) *Mr Ooi Sang Kuang was appointed to Ethics and Conduct Committee on 17 January 2019 and Audit Committee on 10 December 2019.*
(3) *Mr Koh Beng Seng was appointed to the Board, Remuneration Committee and Risk Management Committee on 1 October 2019.*
(4) *Dr Lee Tih Shih was appointed to Ethics and Conduct Committee on 17 January 2019 and stepped down from Nominating Committee on 10 December 2019.*
(5) *Ms Christina Ong was appointed to Ethics and Conduct Committee on 17 January 2019 and Nominating Committee on 10 December 2019, and stepped down from Audit Committee on 10 December 2019.*
(6) *Mr Quah Wee Ghee stepped down from Remuneration Committee on 10 December 2019.*
(7) *Mr Pramukti Surjaudaja was appointed to Nominating Committee and Ethics and Conduct Committee on 10 December 2019, and stepped down from Risk Management Committee on 10 December 2019.*

Directors' Attendance at Board and Board Committee Meetings in 2019

Directors attend and actively participate in Board and Board Committee meetings. Their contributions go beyond attendance at meetings. They individually or collectively engage with other Board members and Management outside formal meetings in their oversight of the affairs of the Bank.

In 2019, the Board and its committees held a total of 30 meetings. The Bank's Constitution provides for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio-visual equipment.

Board Orientation and Development

A formal appointment letter and a director's handbook are provided to every new Director. The handbook sets out, along with other corporate information, the time commitment required and the duties and obligations of Directors, as well as relevant rules and regulations such as those relating to the Banking Act and SGX-ST Listing Manual. The Bank conducts a focused orientation programme, presented by the CEO and senior management, to

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familiarise new Directors with its business and governance practices. The programme also enables the new Directors to be acquainted with senior management, thereby facilitating the latter's interaction with and access to the Directors. Arrangements are made for new Directors to visit the Bank's operations and facilities.

On a continuing basis, the Directors receive appropriate development to perform their roles on the Board and its committees. This includes updates on global trends and regulatory developments as well as their impact on business, new business and products, accounting and finance, corporate governance, risk management and anti-money laundering issues as well as fintech and cyber security, which are provided by subject matter experts from within and outside the Bank. When deciding on the scope of the development to be provided, the knowledge and skills required to enable Directors to properly discharge their duties as members of the Board and its committees are taken into account.

The Directors participate in external courses and learning experience as and when needed. The Bank funds the training and development programmes that it arranges for existing and new Directors. During the year, the Directors visited several notable technology companies to gain insights into new technological developments. There is a formal record of all attendance at training sessions.

Training and updates provided to Directors in 2019 were on subjects that included:

- Market Developments and Emerging Trends on New Technologies
- Digital Advancements in Banking
- Open Banking Framework
- API Marketplace / Financial Planning Digital Service
- Anti-money Laundering
- Countering the Financing of Terrorism
- Technology Risks
- Culture & Conduct

Principle 2: Board Composition and Guidance
The Bank has majority representation of independent Directors on its Board.

An independent Director in OCBC Bank is one who is independent of any management, substantial shareholder and business relationship with the Bank, and who has not served for more than nine years on the Board. The Board at present comprises 11 Directors of whom seven, a majority, are independent Directors. They are Mr Ooi Sang Kuang, Mr Chua Kim Chiu, Ms Christina Ong, Mr Quah Wee Ghee, Mr Tan Ngiap Joo, Ms Tan Yen Yen and Mr Wee Joo Yeow.

Ms Christina Ong is senior partner and chairman of Allen & Gledhill LLP (A&G), one of several law firms which provides legal services to and receives fees from the Bank. She did not involve herself in the selection and appointment of legal counsels for OCBC Group. Her interest in A&G is less than 5% and the fees paid by the Group does not form a significant portion of A&G's revenue. She is also an independent director of Singapore Telecommunications Limited which provides telecommunication services to and receives payments from the Bank, not unlike many organisations in Singapore. The Nominating Committee is of the view that these business relationships do not affect her disposition to act independently.

Dr Lee Tih Shih is not independent of a substantial shareholder. Mr Samuel N. Tsien and Mr Pramukti Surjaudaja are not independent of management. Mr Samuel N. Tsien is executive Director and CEO. Mr Pramukti Surjaudaja has an immediate family member, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk.

Mr Koh Beng Seng is considered not independent of banking relationship with the Bank as he is the chief executive officer of Octagon Advisors Pte Ltd which provides consultancy and advisory services and receives fees from the Bank.

The Board reviews the size of Board and Board Committees annually and it considers the current number of Board and Board Committee members to be appropriate given the size of the Group and its business complexity. It also assesses the diversity of members' profiles and determines the collective skills required to discharge its responsibilities effectively. A Board Diversity Policy, setting out the approach to diversify the appointment of members and composition of the Board is published on the Bank's website. The policy embraces the diversity of skills, knowledge, experience including familiarity in the Bank's core markets, age, gender and length of service as well as merit and independence. Steps are taken to improve effectiveness where necessary. It is assessed that the members of the Board as a group provide the appropriate balance and mix of skills, knowledge, experience, competencies and other aspects of diversity such as gender and age that foster constructive debate and ensure the effectiveness of the Board and its committees. Skills, knowledge and experience include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, risk management, understanding of industry and customer, familiarity with regulatory requirements and knowledge of cybersecurity risks. Details of the Directors' professional qualifications, background and age can be found on pages 12 to 15.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. They meet during the year, without the presence of management, to discuss the effectiveness of management.

Separate sessions are also arranged for the independent Directors to meet at least once a year to ensure effective corporate governance in managing the affairs of the Board and the Bank.

The Board and senior executives meet as frequently as necessary to develop or refresh strategies for the Group.

Principle 3: Chairman and Chief Executive Officer
The Chairman and CEO are not related.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness in all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; encouraging constructive relations between the Board and management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between executive and non-executive Directors; and promoting high standards of corporate governance. The Bank does not appoint a Lead Independent Director as the Chairman is an independent Director.

Principle 4: Board Membership
As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Constitution provides for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by MAS.

The Board establishes a Nominating Committee to make recommendations to the Board on matters relating to board membership. The Committee reviews the independence of Directors at least annually in accordance with internal due diligence procedures and the Directors' declarations. It also reviews the succession plans for Directors, including the appointment and/or replacement of the Chairman and executive Director, and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. It reviews all nominations for the appointment, election or re-election – as well as resignations or retirement – of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee, Risk Management Committee and Ethics and Conduct Committee. It is also charged with determining annually whether or not a Director is independent, capable of carrying out relevant duties and qualified to remain in office.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required, and makes recommendations to the Board on the appointment of new Directors, when necessary. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of MAS. In accordance with the Bank's Constitution, the new Director will hold office until the next Annual General Meeting (AGM) and, if eligible, may then stand for re-election.

Mr Koh Beng Seng and Ms Tan Yen Yen were appointed to the Board on 1 October 2019 and 1 January 2020, respectively. Mr Lai Teck Poh retired from the Board on 1 January 2020 after having served for more than nine years on the Board, the maximum period to be deemed an independent Director.

The Bank does not, as a matter of practice, appoint alternate directors.

Directors are aware of their duties and obligations and the expectation to set aside adequate time for their oversight of matters relating to the Bank. They attend and actively participate in Board and Board Committee meetings. The number of such meetings and each director's attendances at such meetings are disclosed in the annual report. They must provide declarations of any changes in their other appointments and principal commitments, which are disseminated to all Board members. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director can assume. The Nominating Committee, based on the guidelines established, assesses annually each Director's attendance record and degree of participation at meetings to determine if a Director is able to and has been adequately carrying out his or her duties as a Director of the Bank. In respect of other appointments, it takes into account – among various factors – the nature of an appointment (full-time or otherwise), number of meetings to attend, complexity of organisation and degree of participation in sub-committees. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three other listed companies, while a Director who has no full-time employment shall have appointments in no more than six other listed companies.

Key information on the Directors' qualifications, working experience, and

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other directorships and principal commitments/appointments are provided on pages 12 to 15 while information on their shareholdings in the Bank and its related corporations are provided in the Directors' Statement on pages 136 to 141.

Principle 5: Board Performance

The Board has an annual performance evaluation process, carried out by the Nominating Committee, Nominating Committee Chairman and Board Chairman, to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board.

An external party is engaged after every three years to facilitate the Board evaluation process and to provide the Board with an independent perspective of the Board's performance, including benchmarking against peer boards and industry best practices. In accordance with internal policy, the 2019 Board evaluation was conducted internally.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees whilst the Chairman and Nominating Committee Chairman evaluate the performance of each Director and meet to discuss the matter. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairman and/or Nominating Committee Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation or retirement of Directors, in consultation with the Nominating Committee.

Remuneration Matters

Principle 6: Procedures for Developing Remuneration Policies

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain talented and competent staff globally. The Board ensures that remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors or key executives.

The Remuneration Committee is tasked to review and recommend to the Board the general remuneration framework as well as the specific remuneration for each Director and for each key executive. The composition and summary terms of reference of the Remuneration Committee are provided on page 86. No member of the Remuneration Committee is involved in the deliberations regarding any remuneration, compensation, options or any form of benefits to be granted to himself or herself.

In its review of the Bank's remuneration practices, the Remuneration Committee can seek expert advice, if necessary. In 2019, the Remuneration Committee engaged Willis Towers Watson to provide independent advice on the remuneration framework to ensure greater alignment of pay policies and practices with market and regulatory standards. The Bank also used salary surveys conducted by external compensation consultants, McLagan (a business unit of Aon Hewitt), Mercer and Willis Towers Watson for the purpose of benchmarking employee salaries in Singapore and overseas. McLagan, Mercer and Willis Towers Watson and their consultants are independent and are not related to the Bank or its subsidiaries or any of their directors. The Bank's compensation practices are also reviewed annually by McLagan against the Financial Stability Forum's principles and implementation standards for Sound Compensation Practices for significant financial institutions.

The Bank's remuneration policy is applied to all OCBC overseas branches and the following subsidiaries:

- Bank of Singapore Ltd
- OCBC Management Services Pte Ltd
- OCBC Securities Pte Ltd
- OCBC Investment Research Pte Ltd
- BOS Trustee Ltd
- e2 Power Pte Ltd
- e2 Power Sendirian Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- OCBC Wing Hang Bank Ltd
- OCBC Wing Hang Bank (China) Ltd

The Bank does not provide for any termination, retirement or post-employment benefits to executive Directors or the top five key management personnel.

Principle 7: Level and Mix of Remuneration

<u>Compensation for Non-Executive Directors</u>

OCBC's remuneration for non-executive Directors is intended to attract capable individuals to the Board, as well as retain and motivate them in their roles as non-executive Directors. It aligns their interests with those of shareholders, is competitive in the region and recognises individual contributions. The remuneration for non-executive Directors is subject to shareholder approval at the AGM.

The Remuneration Committee has considered market practices for non-executive director compensation. On its recommendation, the Board has decided to maintain the fee structure unchanged from the previous year.

The fee structure is as follows:

• Board chairman's fee	S$1,400,000
• Retainer fee	S$45,000
• Committee chairperson's fee for the Audit, Risk Management and Executive Committees	S$70,000
• Committee chairperson's fee for the Nominating, Remuneration, and Ethics and Conduct Committees	S$40,000
• Committee member's fee for the Audit, Risk Management and Executive Committees (committee chairpersons are not awarded these fees)	S$40,000
• Committee member's fee for the Nominating, Remuneration, and Ethics and Conduct Committees (committee chairpersons are not awarded these fees)	S$20,000
• Attendance fee per meeting	S$3,000

The resolution proposing the fee for non-executive Directors will be presented to shareholders at the 2020 AGM.

In the previous year, shareholders had approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interests of non-executive Directors with the interests of shareholders. At the recommendation of the Remuneration Committee, the Board has decided to continue with the granting of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served on the Board for less than a full financial year will be awarded shares on a pro-rated basis, depending on the length of service. The resolution proposing these share grants will be presented to shareholders at the 2020 AGM.

<u>Compensation for Executive Directors</u>

The compensation for an executive Director is formulated and reviewed annually by the Remuneration Committee to ensure that it is market-competitive and that the rewards are commensurate with the contributions made. The compensation package comprises basic salary, benefits-in-kind, performance bonus, share awards and compensation in the event of early termination where service contracts are applicable. Performance bonus relate directly to the financial performance of the Group and the contributions of the executive Director. The guidelines on the granting of share awards to the executive Director are similar to those for the executives of the Bank.

<u>Employee Remuneration</u>

The total compensation packages for employees comprise basic salary, fixed bonus, variable performance bonus, allowances and deferred share awards for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. Where relevant, financial measurements – adjusted as appropriate for the various types of risk (such as market, credit and operational risks) – include:

- Operating efficiency measures covering revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

There were no significant changes to the above measures during 2019.

In the Bank's continuous efforts to create sustainable value for stakeholders, relevant performance measures are set for each business unit. These objectives which include broad-based growth across its core markets, delivering sustained earnings momentum from core businesses, driving core competencies of disciplined risk management, diversified funding base and continued investments in technology and people, and ensuring sustainable business practices are also consistent with the Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. Executives are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on achievement related to their respective performance measures. Market compensation data on risk and compliance functions is also taken into account for remuneration.

In determining the composition of compensation packages, the Bank takes into account the time horizon of risk and includes, in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares. All awards of deferred shares or share options (granted in previous years) are subject to cancellation and clawback if it is determined that they were granted on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating. To ensure that its remuneration packages are competitive, the Bank

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regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Bank's variable bonus pool is fully discretionary and the factors taken into consideration include financial and non-financial metrics like the Bank's performance, audit ratings, risk indicators and compliance issues, market conditions and competitive market practices.

The Bank adopts a performance-driven approach to compensation. Compensation packages are linked to personal performance, the performance of each business unit, and the overall performance of the Bank. Compensation is reviewed each year based on information from market surveys provided by reputable management consultants.

As a consequence of the last financial crisis, the Financial Stability Forum developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. The Remuneration Committee made changes to the Bank's compensation structure to increase the proportion of the deferred remuneration component for senior executives. The Bank's compensation practices are reviewed annually by McLagan which has confirmed for 2019 that the Bank had met the Financial Stability Forum principles and implementation standards.

The Bank has identified a group of senior executives whose authority and actions are deemed to have a major influence on the long-term performance of the Bank. This group, identified as "Material Risk Takers" comprises senior management (the CEO and his direct reports), employees of Senior Vice President rank and above, key personnel at business units, senior control staff, and employees who had been awarded significant variable performance bonuses. For the "Material Risk Takers" with bonuses exceeding S$100,000, at least 40% of their variable performance bonuses are deferred in the form of shares. The Board approves the compensation of the CEO, Deputy President, Chief Financial Officer, Chief Risk Officer, Chief Information Officer (Head, Group Operations and Technology) and Head, Global Treasury, and the Remuneration Committee approves the compensation of all other senior executives of Senior Vice President rank and above, as well as the top five employees who had been awarded significant variable performance bonuses who are below the rank of Senior Vice President.

The performance evaluation for senior executives in 2019 has been conducted in accordance with the above objectives and considerations.

The remuneration practices for staff in bargainable positions are established through negotiation with the Bank's unions.

Share Schemes

- **OCBC Share Option Scheme 2001**
  The Bank has ceased granting share options under the OCBC Share Option Scheme 2001 (the Scheme) effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients.

  The cumulative total number of new ordinary shares issued by the Bank in respect of options granted under the Scheme has not exceeded 10% of the Bank's total number of issued ordinary shares.

  The acquisition price for each ordinary share in respect of which the option is exercisable was determined by the Remuneration Committee to be the price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the date of grant. No options have been granted at a discount to the price as determined above since the commencement of the Scheme.

  The validity period of the options granted is subject to legislation applicable on the date of grant. Based on current legislation, options granted to Group executives are exercisable for up to 10 years, while options granted to non-executive Directors are exercisable for up to five years. The options may be exercised after the first anniversary of the date of grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of grant of the respective options. The Committee has adopted the following vesting schedule:

	Percentage of shares for which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

  The options granted will lapse immediately upon termination of employment or appointment, except in the event of retirement, redundancy or death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee. Shares granted upon the exercising of options are allocated from treasury shares or from new ordinary shares issued by the Bank.

  All grants are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating.

- **OCBC Deferred Share Plan**
  The OCBC Deferred Share Plan (the Plan) aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee, are eligible to participate in the Plan. In 2019, the participants are executives of the Bank, selected overseas locations and subsidiaries.

  Share awards are granted annually to eligible executives who are paid variable performance bonuses exceeding S$100,000. The share awards form 20% to 40% of their total variable performance bonus for the year. Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights for the shares.

  Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan. The unvested deferred share grants will be adjusted to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment may be acquired from the market in accordance with guidelines established under the Plan.

  The awards will lapse immediately upon termination of employment or appointment, except in the event of retirement, redundancy or death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

  All awards are subject to cancellation and clawback if it is determined that they were granted on the basis of materially inaccurate financial statements and/or that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating.

  During the financial year, an aggregate of 9,322,563 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

- **OCBC Employee Share Purchase Plan**
  The OCBC Employee Share Purchase Plan (ESPP) was implemented for all employees of the participating companies in the Group, including executive Directors, to inculcate in all participants a stronger and more lasting sense of identification with the Group.

  The ESPP is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to ordinary shares after one year or to withdraw the contributions at any time. As a further incentive to employees to enrol in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

  The duration of the offering period is 24 months and the share acquisition price is fixed before the offering period based on the average of the last traded prices over the five consecutive trading days immediately preceding the price fixing date. Shares granted upon conversions in accordance with the rules of the ESPP are allocated from treasury shares or from new ordinary shares issued by the Bank.

  The aggregate number of new ordinary shares issued by the Bank pursuant to the ESPP, together with the aggregate number of any new ordinary shares issued pursuant to the Scheme, cannot exceed 15% of the Bank's total number of issued ordinary shares. Notwithstanding the limits allowed under the relevant rules, the Bank had been applying a lower aggregate limit of 5% instead of 15% as a matter of conservative practice.

Principle 8: Disclosure on Remuneration
The following disclosures should be read in conjunction with the remuneration policies, practices and share plans as described under Principles 6 and 7.

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Directors' Remuneration in 2019

Bank

Director	Fees	Shares [a]	Other Benefits [b]	Total
	S$	S$	S$	S$
Ooi Sang Kuang	1,592,411	50,160	54,454	1,697,025
Chua Kim Chiu	203,000	50,160	4,237	257,397
Koh Beng Seng	35,465	12,640	–	48,105
Lai Teck Poh	238,000	50,160	4,237	292,397
Lee Tih Shih	168,795	50,160	4,237	223,192
Christina Ong	168,794	50,160	4,237	223,191
Quah Wee Ghee	136,795	50,160	353	187,308
Pramukti Surjaudaja	117,999	50,160	–	168,159
Tan Ngiap Joo	248,000	50,160	4,237	302,397
Wee Joo Yeow	248,000	50,160	4,237	302,397
	3,157,259	464,080	80,229	3,701,568

Director & CEO	Salary	Bonus	Deferred Shares	Other Benefits [b]	Total
	S$	S$	S$	S$	S$
Samuel N. Tsien	1,242,400	5,841,000	3,894,000	102,157	11,079,557

Notes:
[a] Value of remuneration shares was estimated based on closing price of ordinary shares on 20 March 2020, i.e. S$8.36 per share.
[b] Non-cash component such as club and car benefits for Mr Ooi Sang Kuang and Mr Samuel N. Tsien and carparks for Directors.

Subsidiaries

Director	Fees
	S$
Ooi Sang Kuang	91,733 [c]
Koh Beng Seng	525,000 [d]
Lai Teck Poh	236,479 [e]
Quah Wee Ghee	192,000 [f]
Pramukti Surjaudaja	789,642 [g]
Tan Ngiap Joo	172,553 [h]
Wee Joo Yeow	141,000 [i]

Notes:
[c] Fees from OCBC Wing Hang Bank.
[d] Fees from Great Eastern Holdings and subsidiaries.
[e] Fees from OCBC Bank (Malaysia) and PT Bank OCBC NISP.
[f] Fees from Bank of Singapore, The Great Eastern Life Assurance Co and Great Eastern General Insurance.
[g] Fees from PT Bank OCBC NISP for being President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.
[h] Fees from OCBC Bank (Malaysia) and OCBC Al-Amin Bank.
[i] Fees from Great Eastern Holdings.

Remuneration of Top Five Key Management Personnel in 2019

The Code recommends the disclosure of the individual remuneration of the Bank's top five key management personnel as well as their aggregate remuneration. The Board considered this matter carefully and has decided against such a disclosure for the time being as it is not standard business practice to do so, having taken into account the highly competitive conditions for talent in the industry.

Remuneration of Directors' and CEO's Immediate Family

Mr Pramukti Surjaudaja, a Director of the Bank, has a sister, Ms Parwati Surjaudaja, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk. Her personal remuneration in 2019 exceeds S$100,000 but for reasons stated above, her individual remuneration is not disclosed. Apart from Ms Parwati Surjaudaja, none of the Group's employees was an immediate family member of a Director or the CEO in 2019.

Remuneration of Substantial Shareholder's Immediate Family

A disclosure on remuneration to employees who are immediate family members is not applicable as none of the Bank's substantial shareholders are individuals.

Remuneration Disclosure for Senior Management and Material Risk Takers

Remuneration Awarded during the Financial Year

		Senior Management	Other Material Risk Taker
Fixed remuneration	Number of employees	17	348
	Total fixed remuneration	24%	49%
	of which: cash-based	24%	49%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	0%	0%
	of which: deferred	0%	0%
	of which: other forms	0%	0%
	of which: deferred	0%	0%
Variable	Number of employees	17	340
	Total variable remuneration	76%	51%
	of which: cash-based	46%	31%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	30%	20%
	of which: deferred	30%	20%
	of which: other forms	0%	0%
	of which: deferred	0%	0%
Total remuneration		100%	100%

Special Payments

	Guaranteed Bonuses		Sign-on Awards		Severance Payments	
	Number of Employees	Total Amount (S$)	Number of Employees	Total Amount (S$)	Number of Employees	Total Amount (S$)
Senior management	1	Not disclosed*	0	0	0	0
Other material risk-takers	7	671,126	0	0	0	0

* *Due to confidentiality reason*

Deferred Remuneration

Deferred and Retained Remuneration	Total outstanding deferred remuneration	Of which: Total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amendment during the year due to ex post explicit adjustments [1]	Total amendment during the year due to ex post implicit adjustments [2]	Total deferred remuneration paid out in the financial year
Senior management	100%	100%	0%	0%	52%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	52%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	44%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	44%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%

Notes:
[1] Examples of ex post explicit adjustments include malus, clawbacks or similar reversal or downward revaluation of awards.
[2] Examples of ex post implicit adjustments include fluctuation in the value of shares performance or performance units.

Corporate Governance

Accountability and Audit

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and sets the tone for the Bank's risk culture. It oversees, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy and effectiveness of the internal controls and risk management processes and systems (including ensuring that the risk management function is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines). The Board approves the Bank's risk appetite and has oversight of the risk activities to ensure that these are consistent with the Bank's strategic intent and operating environment, as well as capital sufficiency and regulatory standards.

Further details on risk management are described under the section on Risk Management Committee on page 86.

The Board is also responsible for ensuring that the Bank's internal controls adequately safeguard shareholders' interests and the Bank's assets. The Bank has in place self-assessment processes for all business units to assess the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management. The Board has received assurance from the CEO (which includes assurances provided by key management personnel to the CEO) on the effectiveness of the Bank's risk management and internal control systems. The Board has also received assurances from the CEO and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board – with the concurrence of the Audit and Risk Management Committees – is of the view that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems, were adequate and effective as at 31 December 2019, to address the risks which the Group considers relevant and material to its operations.

The system of internal controls provides reasonable but not absolute assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

The composition and summary terms of reference of the Audit Committee are provided under the section on Audit Committee on page 86 and the Committee's summary activities are also provided in the Directors' Statement on page 141. The Audit Committee adopts, where appropriate, relevant best practices set out in the Guidebook for Audit Committees in Singapore.

In addition to the review of the Group Financial Statements, which includes reviewing the assurances provided by the CEO and Chief Financial Officer on the financial records and statements, the Audit Committee reviews and evaluates, with the external auditors and internal auditor, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost-effectiveness of the audits and the independence and objectivity of the external auditors and internal auditor. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against its ability to provide value-for-money services. The Audit Committee members keep abreast of changes to accounting standards and development of related significant accounting policies which have a direct impact on financial statements and Group accounting policies through briefings provided by internal or external subject matter experts. The Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements. The Committee reviews announcements relating to financial performance.

The Audit Committee is also responsible for the review of the Bank's whistleblowing policy as well as any concerns, including anonymous complaints, which staff may in confidence raise about possible improprieties in matters of financial reporting or other matters. The whistleblowing policy and procedures for raising such concerns are disclosed and clearly communicated to employees. The Committee will ensure such concerns are independently investigated and followed up on. If it is found that there has been fraud, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistleblower's interests will be safeguarded at all times, including a right to appeal to the Audit Committee if reprisals are taken against him.

The Audit Committee meets at least once a year with the external auditors and internal auditor in separate sessions and without the presence of management, to consider any matters which may be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a regular basis.

<u>**External Audit**</u>

The Audit Committee has received the requisite disclosures from the current external auditors evidencing its independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2019, and the breakdown of total fees paid for audit and non-audit services, are shown in the Notes to the Financial Statements.

The Audit Committee assesses the quality of OCBC's external auditors before its first appointment and at least annually thereafter. The selection of external auditors is made through a tender process based on an established framework for the selection/appointment of OCBC's external auditors. This framework lists the considerations and criteria for the external auditors and provides a robust tender process. Considerations include having global reach as well as technical and industry expertise, skills, resources and reputation, and quality of service delivery.

Exercising oversight over the external audit function, the Audit Committee is responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors. The Audit Committee also considers the annual fee proposals presented by the external auditors and reviews the scope of the audit plan, the level of materiality, areas of focus and significant risks to be addressed.

For re-appointment of external auditors, the Audit Committee considers the length of the external auditor's tenure and the risk this may pose to objectivity and independence. The Audit Committee also takes into consideration the external auditors' compliance with SGX-ST Listing Rules which require the lead engagement partner to be rotated every five years.

The Audit Committee noted that the current external auditors, KPMG LLP, has served as external auditors of the Bank since 2006.

In line with good corporate governance practice, the Audit Committee is of the view that a change of external auditors is in the best interests of the Bank and its shareholders. Taking into consideration the requirements of the revised MAS Notice 615 to Banks and the SGX Listing Manual, the Audit Committee initiated an audit tender exercise in 2018. Information on the tender exercise and subsequent decision and rationale for recommending PricewaterhouseCoopers LLP for nomination as external auditors commencing financial year ending 31 December 2020 were disclosed in OCBC's Annual Report 2018. The scope of audit services to be provided by PricewaterhouseCoopers LLP will be comparable to those currently provided by KPMG LLP. The proposed appointment of PricewaterhouseCoopers LLP as external auditors of the Bank will be presented for shareholders' approval at the 2020 AGM.

The Audit Committee is responsible for monitoring the performance, objectivity and independence of the external auditors. In its evaluation process, the Audit Committee takes into consideration the following:

- the experience and expertise of senior members of the engagement team;
- the audit plan agreed with the external auditors, the areas of audit focus and the external auditors' approach to materiality;
- the quality of reports and findings presented by the external auditors;
- the external auditors' presentation of its Audit Quality Framework and its confirmation of independence pursuant to its policies and processes for maintaining independence and objectivity;
- the external auditors' report to the Audit Committee on main findings on audit quality reviews of the Bank's audit;
- the key highlights or findings on the external auditors' quality control systems by audit oversight bodies and, where relevant, the appropriate steps taken by the external auditors; and
- feedback through an annual evaluation exercise from senior management across geographical regions to gather internal perceptions as to the knowledge, competence, independence, efficiency and effectiveness – as well as communications by and with – the external auditors.

As part of its assurance process on the objectivity and independence of the external auditors, the Audit Committee has in place a policy that lists the non-audit services which may not be provided by the external auditors and sets out the circumstances in which the external auditors may be permitted to undertake non-audit services. Permitted non-audit services exceeding S$250,000 require the approval of the Audit Committee before the auditor can be engaged. In addition, the Audit Committee reviews reports on non-audit services undertaken by the external auditors to satisfy itself as to the nature of non-audit services being provided and the fees incurred. The nature of the non-audit services provided during the financial year ended 31 December 2019 is shown in the Notes to the Financial Statements.

To reinforce the Audit Committee's effectiveness and enhance the quality of the audit, the Audit Committee meets regularly with the external auditors. The external auditors discuss its audit plan with the Audit Committee and present its engagement teams and its audit fee proposals. It reports to the Audit Committee on audit focus areas, the support rendered by management, key audit findings, quantitative and qualitative aspects of financial statement disclosures, any unadjusted audit differences (or review differences in the case of a half-yearly or a quarterly review) and any other matters relevant to its engagement. Discussions may be held privately without the presence of management. The external auditors also discuss with the Audit Committee key changes to regulatory requirements and reporting as well as developments in accounting standards.

In the review of the 2019 financial statements, the Audit Committee discussed with management the accounting principles applied and significant judgements affecting the financial statements. Matters raised by Group Audit and the external auditors in respect of governance, risk management, accounting and internal controls over financial reporting were also reviewed. The following key audit matters highlighted in the Independent Auditors' Report on pages 142 to 148 of the Annual Report were discussed with management and the external auditors:

- **Impairment of loans and bills receivable**
  The Audit Committee reviewed management's assessment and justification of allowances for impaired loans and non-impaired loans, including the appropriateness of

Corporate Governance

forward-looking assumptions and scenarios adopted, in accordance with Singapore Financial Reporting Standards (International) 9 Financial Instruments and approved framework. The adequacy of allowances for impaired loans set aside for key loan accounts was also discussed with the external auditors. Additionally, the Audit Committee also considered the input from Group Audit's independent assessment of the Group's credit portfolio quality and credit risk management process.

- **Valuation of financial instruments held at fair value**
  The Audit Committee with the input of the Risk Management Committee, reviewed management's valuation of financial instruments framework and their control, monitoring and issue escalation processes. In addition, the Committee reviewed both Group Audit's and the external auditors' assessment of the controls over valuation which included independent verification of price and validation of valuation models.

- **Valuation of insurance contract liabilities**
  The Audit Committee reviewed the approach and methodology applied to the valuation of insurance contract liabilities of Great Eastern Holdings Limited (Great Eastern) in their review of Great Eastern's financial results together with the Group's financial performance. In considering the valuation of insurance contract liabilities, the Committee considered external auditors' assessment of the valuation methodology and assumptions adopted by Great Eastern and its subsidiaries.

- **Impairment of goodwill**
  The Audit Committee reviewed management's goodwill impairment testing methodology and results, including the appropriateness of the cash flow forecasts and discount rates used. The Committee also considered the external auditors' assessment of the methodology and testing results.

The Audit Committee believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards (International) in all material aspects, based on its review and discussions with management and the external auditors.

Internal Audit

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the adequacy and effectiveness of the internal audit function, at least annually. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Group's governance, risk management and internal control processes – as designed and implemented by senior management – are adequate and effective. Group Audit reports on the adequacy and effectiveness of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of current and emerging risks, including financial, operational, technology, cyber, compliance and strategic risks. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's governance, risk management and internal control processes in meeting its strategic objectives and operating within the risk appetite established. In addition, Group Audit provides an independent assessment of the Group's credit portfolio quality and credit risk management process. Without assuming management responsibility, Group Audit may provide consultative services to line management on certain business initiatives as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls.

The Audit Committee is responsible for the adequacy and independence of the internal audit function, its resources, and its standing and effectiveness. The Committee ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and for outstanding exceptions or recommendations to be closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience. It reports functionally to the Audit Committee and administratively to the CEO, has unfettered access to the Audit Committee, Board and senior management, and has the right to seek information and explanations. Currently, the number of internal audit staff in the Group is 323. The division is organised into departments that are aligned with the structure of the Group. The Audit Committee approves the appointment, resignation, retirement, removal and remuneration of the Head of Group Audit.

Shareholder Rights and Engagement

Principle 11: Shareholder Rights and Conduct of General Meetings

At the AGM, the Group's financial performance for the preceding year is presented to shareholders.

Shareholders are given the opportunity to participate effectively at the general meetings of OCBC Bank, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Bank's Constitution currently allows a shareholder to appoint up to two proxies to attend, speak and vote in his place at general meetings. Under the multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund (CPF) Board are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings.

All the Directors attended the 2019 AGM together with the external auditors and senior management to address any relevant queries raised by shareholders. Independent scrutineers are also present at the AGM to review the voting process and address shareholders' queries on the voting procedures.

To ensure authenticity of shareholder identity and due to other related security issues, the Bank currently does not allow voting in absentia by mail, email or fax. The Bank conducts voting by poll for all resolutions proposed at the general meetings, for greater transparency in the voting process. Following the meetings, it announces the detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages.

The Bank provides for separate resolutions at general meetings on each substantially separate issue. It does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company Secretary prepares minutes of general meetings, which reflect responses from the Board and management to queries and comments from shareholders. The minutes are made available on the Bank's website.

Principle 12: Engagement with Shareholders

The Bank has a shareholders communication policy approved by the Board. OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group's Investor Relations and Group Brand and Communications units is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the investment community and media. Live webcasts of the Bank's half-year and full-year financial results presentation are available for viewing on the Bank's corporate website. The Bank's dividend policy is also disclosed in the Capital Management section on pages 103 and 104 of this Annual Report. In 2019, OCBC Bank held more than 600 meetings and conference calls with the investment community including investors, rating agencies and analysts. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information via the Bank's website.

Material information is also announced through the stock exchange.

Investors can submit feedback and queries to OCBC's Investor Relations Unit through the contact details provided on the corporate website.

Managing Stakeholders Relationships

Principle 13: Engagement with Stakeholders

OCBC Bank recognises the importance in maintaining positive stakeholder relationships, and adopts an inclusive approach in the management and engagement of its stakeholders – namely customers, investors, communities, regulators and employees. The Sustainability Report on pages 58 and 59 of this Annual Report sets out the Bank's approach to stakeholder engagement including key areas of focus and how it responds to stakeholder concerns.

The Bank maintains a corporate website – OCBC.com – to communicate and engage with its stakeholders.

Related Party Transactions

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities governing and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party and interested person transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions for related party lendings are not more favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual Rules on interested person transactions.

Ethical Standards

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank and its listed subsidiary, Great Eastern Holdings Limited (GEH) during the period commencing two weeks before the announcement of the Bank's and GEH's quarterly or half-yearly financial results, and one month before the announcement of year-end results (the black-out period) and any time they are in possession of unpublished material price-sensitive information. The Bank will notify Directors and employees of the commencement date for each blackout period. The policy also states that employees are not to deal in the Bank's securities on short-term considerations. In addition, employees are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

The Bank's insider trading policy also includes instructions pertaining to dealings in the listed securities of customers of the Group.

The Bank has a code of conduct that applies to all employees and reinforces the core values expected of employees. The code covers all aspects of the business operations of the Bank and sets out principles to guide employees in carrying out their duties and responsibilities while adhering to the highest standards of personal and corporate integrity.

Employees are required to observe and comply with laws and regulations as well as company policies, along with the ABS Code of Conduct for Banks and Bank Staff.

The Bank has a suite of policies in place for proper governance and management that staff have to comply with. All policies, including those related to vendor management and procurement, are subject to the Bank's risk management and internal control systems and processes, including management self-assessment and independent audits.

The Bank also has a policy to manage or eliminate any actual or potential conflicts of interest which may impact the impartiality of research analyses or research reports issued by research analysts in OCBC Bank or its financial subsidiaries. These include prohibitions on business units attempting to influence research analyses or recommendations by research analysts, as well as on securities trading by staff who receive information on research analyses or recommendations in unissued research reports.

Corporate Governance

Summary of Disclosures

Express disclosure requirements in the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018.

Provisions	Page Reference In OCBC Annual Report 2019
Provision 1.2 The induction, training and development provided to new and existing directors.	Pages 87 and 88
Provision 1.3 Matters that require Board approval.	Page 85
Provision 1.4 Names of the Board Committee members, the terms of reference, delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	Pages 85 and 86
Provision 1.5 The number of Board and Board Committee meetings and the directors' attendance at such meetings.	Page 87
Provision 2.1 (a) The Board should identify in the Company's Annual Report each director it considers to be independent (b) Where the Board considers a director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Pages 12 to 15 and 88 Not applicable
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	Page 88
Provision 3.1 Relationship between the Chairman and the CEO if they are immediate family members.	Not applicable
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.	Pages 88 and 89
Provision 4.4 If the Board determines that a director is independent notwithstanding the existence of a relationship with the Company, its related corporations, its substantial shareholders or its officers, which may affect his/her independence, the relationships and the Board's reasons for considering him/her as independent should be disclosed.	Page 88
Provision 4.5 (a) Listed company directorships and principal commitments of each director should be disclosed (b) If a director holds significant number of directorships and principal commitments, the Nominating Committee and Board should disclose reasoned assessment of the director's ability to diligently discharge his/her duties.	Pages 12 to 15 and 89
Provision 5.2 The Board should state in the Company's Annual Report how the assessments of the Board, its Board Committees and each director have been conducted, including the identity of any external facilitator and its connection (if any) with the Company or any of its directors.	Page 90
Provision 6.4 The Company should disclose the engagement of any remuneration consultants and their independence in the Annual Report.	Page 90
Provision 8.1 Disclose the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) Each individual director and the CEO (b) At least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	For CEO and Management: Pages 91 to 95 For the Company's Directors: Pages 90, 91 and 94
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The Company should also state clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Page 94
Provision 8.3 Disclose all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. The Company should also disclose details of employee share schemes.	Pages 92 to 95
Provision 9.2 The Board should disclose that it has received assurance from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	Page 96
Provision 10.1 The Company should publicly disclose, and clearly communicate to employees, the existence of a whistleblowing policy and procedures for raising concerns.	Page 96
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year.	Pages 87 and 98
Provision 12.1 The steps the Board has taken to solicit and understand the views of shareholders.	Pages 98 and 99
Provision 13.2 Disclose the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 99

Express disclosure requirements in the supplementary guidelines prescribed by the MAS under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers Incorporated in Singapore issued on 3 April 2013.

Supplementary Guidelines	Page Reference In OCBC Annual Report 2019
Guideline 1.16 An assessment of how the induction, orientation and training provided to new and existing directors meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board Committees with relevant knowledge and skills in order to perform their roles effectively.	Pages 87, 88 and 96
Guideline 2.13 Names of the members of the Executive Committee and the key terms of reference of the Executive Committee, explaining its role and the authority delegated to it by the Board.	Page 85
Guideline 4.13 Resignation or dismissal of key appointment holders.	Page 89
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	Not applicable
Guideline 11.14 Names of the members of the Risk Management Committee and the key terms of reference of the Risk Management Committee, explaining its role and the authority delegated to it by the Board.	Page 86
Guideline 17.4 Material related party transactions.	Page 99

Additional Information Required under the SGX-ST Listing Manual

1. Interested Person Transactions

Interested person transactions carried out during the financial year under review:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2019 S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2019 S$'000
Dasar Sentral (M) Sdn Bhd – Lease of premises at Wisma Lee Rubber, Kuala Lumpur to subsidiaries of OCBC Bank	An associate of Dr Lee Tih Shih, director of OCBC Bank	993	–
PT Suryasono Sentosa – Incorporation of PT OCBC NISP Ventura by PT Suryasono Sentosa and PT Bank OCBC NISP Tbk, a 85.08%-owned subsidiary of OCBC Bank	An associate of Mr Pramukti Surjaudaja, director of OCBC Bank	8,330	–

2. Material Contracts

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2019.

3. Appointment of Auditors

The Group has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

Capital Management

Capital Policy

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition with an optimal mix of capital instruments in order to keep our overall cost of capital low.

Capital Monitoring and Planning

OCBC Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth, and to pursue strategic business and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite. OCBC Group's internal capital adequacy assessment process (ICAAP) involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a 3-year period. This process takes into consideration OCBC's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group can continue to maintain adequate capital under such scenarios.

Within OCBC Group, excess capital will be centralised as far as possible at the parent (i.e. OCBC Bank) level to ensure easy deployment across the Group. Whilst the transfer of capital resources within the Group is generally subject to regulations in local jurisdictions, where applicable, OCBC has not faced significant impediments on the flow of capital within the Group.

Dividend

Our dividend policy aims to provide shareholders with a progressive and sustainable dividend that is consistent with our long-term growth. The dividends are payable on a half-yearly basis. For the financial year ended 31 December 2019, the Board of Directors has recommended a final dividend of 28 cents per share. This brings the full year 2019 dividend to 53 cents per share, or an estimated total dividend payout of S$2,312 million.

Share Buyback and Treasury Shares

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently cancelled, sold or used to meet delivery obligations under employee share schemes. During the financial year ended 31 December 2019, the Bank purchased 17.1 million ordinary shares for S$191 million as part of its share buyback programme, while 16.3 million treasury shares were delivered to meet obligations under its employee share schemes.

Capital Adequacy Ratios

On 14 September 2012, the Monetary Authority of Singapore (MAS) revised the MAS Notice 637 to implement the Basel III capital adequacy framework for Singapore. The Basel III capital standards came into effect on 1 January 2013 and are being progressively phased in on 1 January each year, from 2013 to 2019. Singapore-incorporated banks are required to meet minimum Common Equity Tier 1 (CET1), Tier 1, and total capital adequacy ratios of 6.5%, 8.0%, and 10.0%, respectively.

To ensure that banks build up adequate capital buffer outside periods of stress, a Capital Conservation Buffer (CCB) of 2.5 percentage points above the minimum capital adequacy requirements was introduced. The CCB is to be maintained in the form of CET1 capital, and will begin at 0.625% on 1 January 2016, and increase by 0.625 percentage point on 1 January each year, to reach 2.5% on 1 January 2019. Including the CCB, Singapore-incorporated banks will be required to meet CET1 CAR, Tier 1 CAR and total CAR of 9.0%, 10.5% and 12.5%, respectively, from 1 January 2019.

In addition, OCBC will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

Capital Management

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2019. The capital adequacy ratios were determined in accordance with the requirements of MAS Notice 637, which included the definitions for CET1, Tier 1 and Tier 2 capital, the required regulatory adjustments against capital (including goodwill, intangible assets, deferred tax assets and investments in unconsolidated financial institutions in which the Bank holds a major stake), and the methodologies available for computing risk-weighted assets. As per the requirements of MAS Notice 637, OCBC's insurance subsidiaries were not consolidated for the computation of the capital adequacy ratios, i.e. capital investments in these insurance subsidiaries were deducted from OCBC's capital and their assets were excluded from the computation of OCBC's risk-weighted assets.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

S$ million	Basel III 2019	Basel III 2018
Tier 1 Capital		
Ordinary shares	**17,261**	15,750
Disclosed reserves/others	**21,452**	19,219
Regulatory adjustments	**(6,913)**	(6,901)
Common Equity Tier 1 Capital	**31,800**	28,068
Additional Tier 1 capital	**1,531**	1,572
Regulatory adjustments	**–**	–
Tier 1 Capital	**33,331**	29,640
Tier 2 capital	**2,661**	3,347
Regulatory adjustments	**–**	(1)
Total Eligible Capital	**35,992**	32,986
Credit	**183,439**	171,487
Market	**14,751**	14,669
Operational	**15,166**	14,092
Risk Weighted Assets	**213,356**	200,248
Capital Adequacy Ratios		
Common Equity Tier 1	**14.9%**	14.0%
Tier 1	**15.6%**	14.8%
Total	**16.8%**	16.4%

OCBC's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2019, the capital adequacy ratios of these subsidiaries were above their respective local requirements.

Risk Management

At OCBC, our corporate values—Lasting Value, Integrity, Forward-looking, Respect and Responsibility—together with our risk principles guide the approach in the management of our risk exposures. We adopt agile, holistic and prudent risk management to support our strategic goals across our core markets and create sustainable value for our customers, employees, shareholders and the community.

Risk is inherent in the business activities of OCBC and managing risks is critical to what we do. Our overall goal is to manage our businesses and the risks associated with them in a manner that creates balanced and sustainable value for our customers, employees, shareholders and the community.

We have established a risk management framework that encompasses good governance, sound policies, robust lines of defence, right expertise as well as significant investments in technology, underpinned by a corporate culture that demands accountability and ownership as well as high ethical standards. This ensures that the risks being taken are:

- consistent with our corporate strategy and within established risk appetite;
- well-understood, evaluated and supported by robust quantitative analyses and stress testing;
- adequately compensated for by expected returns;
- managed holistically by evaluating risk interactions across the different risk types;
- efficiently and comprehensively captured, aggregated and reported upon;
- reviewed by an independent risk function with adequate resources, authority and expertise; and
- accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

Risk ownership is a shared responsibility between the business and risk functions as elaborated in the Risk Governance and Organisation section.

While the categorisation of risks can be complex and interrelated, we generally categorise the risks we take into five principal risk types.

Principal Risks	Definition
Credit Risk	Credit risk is the risk of losing principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations as originally scheduled or a change in the credit profile of the obligor or counterparty.
Market Risk	Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors.
Liquidity Risk	Liquidity risk is the risk arising from the inability to meet financial obligations as they fall due without incurring unacceptable costs or losses through fundraising and asset liquidation.
Interest Rate Risk in the Banking Book	Interest rate risk in the banking book is the risk to earnings and capital arising from exposure to adverse changes in the interest rate environment.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, poor management, human error or external events. This category includes compliance risk, legal risk, cyber risk and reputational risk.

Please refer to the respective sections for details of our risk management approach for each of the principal risk types.

Each principal risk type is governed by an appropriate risk framework and supported by robust risk management and reporting systems. These are regularly reviewed to assess their effectiveness. We also leverage on technology to continuously enhance our systems, risk reporting and processes.

Our risk management approach is a disciplined approach to identify, assess, measure, control, monitor and report our risk positions at the granular and aggregate levels. Assessments of potential shifts in risk drivers and the impact on risk types are regularly made and risk mitigation strategies are taken where necessary. There are multiple drivers of risks. They emanate from factors such as the economic, business and physical environment, business decisions, market positions, geopolitical shifts, regulatory changes, data loss, cyber threats, fraud and human error. These drivers impinge on one or more of the risk types mentioned above with consequential impact to earnings and asset quality as well as to reputation, customer franchise, and ability to do business.

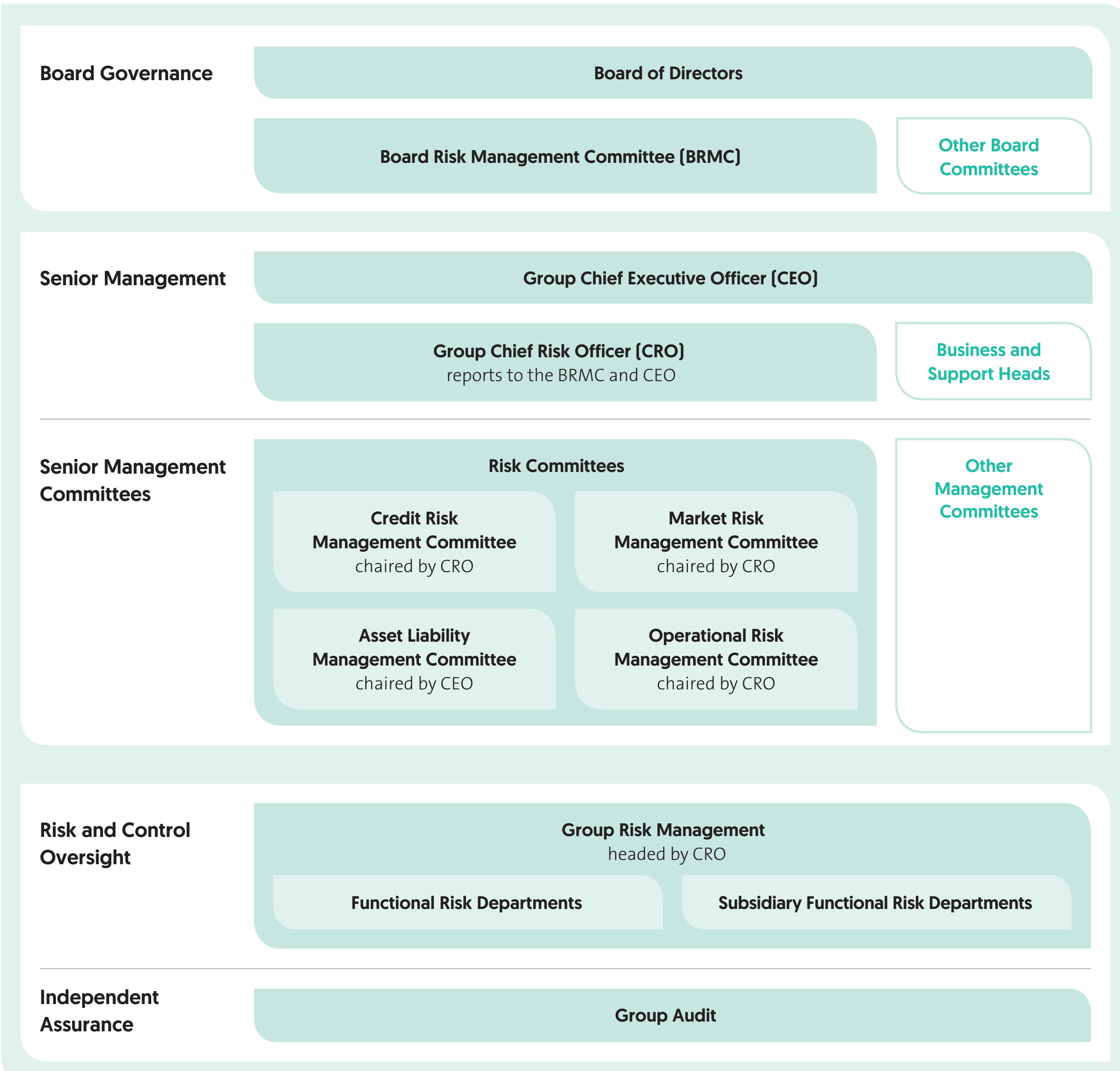
Our banking subsidiaries are required to implement their own risk management framework and policies, and these conform to the stricter of the Group's risk standards or local regulations. Their approving authority and limit structure are also consistent with those of the Group, which are designed to ensure proper ownership and accountability.

Great Eastern Holdings (GEH) and Bank OCBC NISP are listed companies. Their annual reports contain information on their risk management framework and practices. Their risk management framework, policies and practices are aligned with the Group's risk standards as appropriate. (For information on GEH's risk management, please refer to Note 39 in the Group's Financial Statements).

Risk Management

Risk Governance and Organisation

The chart below illustrates the risk governance and oversight structure in OCBC. The Board of Directors (Board) has the ultimate responsibility for the effective management of risk and establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy.



The Board Risk Management Committee (BRMC) is the designated board committee to ensure that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. Based on the approved risk appetite, BRMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, Group Chief Executive Officer (CEO) and BRMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

The Bank has an independent risk management function, Group Risk Management Division (GRM), headed by the Group Chief Risk Officer (CRO), who reports to the BRMC and CEO. GRM is an independent risk and control oversight function that principally executes the risk management framework and principles. It provides risk committees, the BRMC and the Board regular risk reports and updates on material information with regard to risks. Functions in GRM are primarily organised by major risk types. Risk management staff work closely with the business and other support units to ensure that risks are well managed. GRM also oversees the Group's data management via a framework that comprises data policies, standards and controls. The objective is to ensure the quality of critical risk data and the ability of the Bank to effectively aggregate such data for accurate and timely risk reporting. In addition, it oversees the New Product Approval Process (NPAP) to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated, including compliance with regulatory requirements and adequacy of resources to support the new product and services.

Our subsidiaries have local committees, where appropriate, to ensure that their risk taking remain within limits set by the Group committees, and to approve local risk policies. Local risk management teams in subsidiaries implement the Group's risk management framework in their respective subsidiaries and where necessary, adapt them to the local regulatory environment.

Three Lines of Defence

All employees are responsible for identifying and managing risk—an accountability that is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure.

Three Lines of Defence		
First Line	Second Line	Third Line
Day-to-day Risk Management	Risk and Control Oversight	Independent Assurance
Business and Support Units own and manage risks generated from their business activities on a day-to-day basis. They execute business activities which are consistent with our Group's strategy and risk appetite and operate within the approved boundaries of our policies, limits and ensure compliance with applicable laws and regulations.	**The Risk and Control Function** independently assesses the risk-taking activities undertaken by the first line of defence. It establishes relevant risk management frameworks, policies, processes and risk systems, and provides independent identification, assessment, monitoring and reporting of the Group's risk profiles, portfolio concentrations and material risk issues.	**Group Audit** independently assures the CEO, Audit Committee and the Board of the adequacy and effectiveness of our risk management, and internal control systems by evaluating the overall risk awareness and control consciousness of the management in discharging its supervisory and oversight responsibilities.

Risk Management

Risk Appetite

Business Plan
Demand for Risk and Financial Resources such as Funding and Capital

Risk Appetite
Level and nature of risk deemed acceptable while ensuring sufficient buffer in the Risk and Financial Resources

Risk Capacity
Supply of Risk and Financial Resources such as Funding and Capital

The Board sets the Group's risk appetite, which defines the level and nature of risks that we are willing to take on behalf of shareholders in the conduct of our business, while maintaining our commitments to customers, debt holders, employees, regulators, and other stakeholders. Our objective is to manage risks prudently for the long-term viability of the Group while balancing the interests of all stakeholders.

Our risk appetite takes into account the forward-looking operating environment and any downside risks. Business plans are guided by our risk appetite through policies, limits and processes to ensure that we operate within our available risk capacity.

Senior business and risk managers participate in regular forums to discuss the operating environment, event risks and potential "dark clouds" that may have a significant impact on our earnings or solvency. These are quantified via stress tests as well as segment-specific and ad hoc event-specific portfolio reviews to assess the potential impact of alternative scenarios on the Bank's earnings and capital, and the vulnerabilities of material portfolios.

An annual Internal Capital Adequacy Assessment Process (ICAAP) incorporating stress tests is conducted to evaluate if our business plans allow us to maintain sound capital levels under both the forward-looking operating environment and severe stress scenarios. Appropriate risk-mitigating actions are taken to manage downside risks.

Credit Risk Management

Credit risk arises from our lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from our trading and investment banking activities.

Credit Risk Management Approach

Our credit risk management framework captures the complete credit risk management cycle. It is operationalised through policies and procedures covering the identification, assessment, measurement, monitoring and control of credit risk at the enterprise level.

We also have a Responsible Financing framework and supporting policies that integrate Environmental, Social and Governance (ESG) considerations into our credit risk evaluation and approval process. Through the framework, sustainability is integrated across our corporate lending activities from strategic and portfolio to transaction level. Please refer to our Sustainability Report for more information on responsible financing.

Our credit risk management approach varies according to the characteristics and nature of the portfolios or customer segments. Please refer to Table 1 on the following page for more information. There are specific policies and procedures for major customer segments.

Table 1: Credit Risk Management Approach for Major Customer Segments

Consumers and Small Businesses	Corporate and Institutional Customers	Private Banking Customers
• Credit risks are managed on a portfolio basis. • Credits are extended through credit programmes with predefined portfolio and transaction limits, acquisition strategy, product structure, as well as customer selection, lending and collateral criteria. • Application models in the credit decision process enable efficient, objective and consistent risk evaluation. • Bankruptcy and credit bureau checks, systems and processes such as source identification of credit origination and independent verification of documentation are used to detect fraud. • Comprehensive risk management information systems (MIS) track and monitor the performance of the portfolios. • Behavioural models help to identify problem loans early.	• Credits extended are individually assessed, risk-rated and further evaluated by experienced credit officers. • Credit extensions are guided by predefined target market and risk acceptance criteria. • Credit decisions are made after comprehensive qualitative and quantitative risk assessment, including a thorough understanding of the customer and customer group's interdependencies. • Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership.	• Credits extended are subject to comprehensive credit assessment, availability of acceptable collateral and compliance with loan advance ratio and margin requirement. • Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership. • Advance ratios are dependent on the liquidity, volatility and diversification of the collateralised portfolio under stressed conditions. Marketable securities taken as collateral are subject to daily valuation and independent price verification controls. • Timely and disciplined execution of margin calls, top-up provisions, stop-loss and force-selling are strictly managed in accordance with approved procedures.

Managing Counterparty Credit Risk
Counterparty Credit Risk (CCR) is the risk that the counterparty may default on its obligations in a financial contract. CCR management covers credit exposures to counterparties in both the banking and trading books which typically arise from our trading, derivatives and debt securities activities. Counterparty risk exposures are measured using the Current Exposure Method, with regulatory prescribed add-ons that represent the potential future exposures, in addition to the net replacement cost of the Over-the-Counter (OTC) derivatives.

Credit limits are established for each counterparty based on our assessment of the counterparty's creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading mandates and investment strategies. Credit risk mitigation tools are also used to manage CCR where appropriate. Please refer to Credit Risk Mitigation section for details.

Credit exposures are independently managed through daily limit monitoring, excess escalation and approval, and timely risk reporting. We also have an established policy and process to manage wrong-way risk which can occur when the credit exposure to a counterparty is adversely correlated with the credit quality of the counterparty.

Credit Portfolio Management

Credit portfolio management focuses on managing the 'collective or aggregate risk' of our credit portfolios, rather than the credit risk of individual borrowers. We have developed and implemented a range of capabilities to better understand, measure and monitor credit risk at the portfolio level. These capabilities include:

- **Portfolio Segmentation:** This is the process of grouping credit exposures that are similar in nature. It involves the use of attributes that represent common business drivers such as location, industry and product type, as well as common risk drivers such as exposure to material downside risks like a property bubble. We have invested substantially to standardise the way credit exposures are grouped using consistent taxonomy and improving data quality.
- **Portfolio Modelling:** This includes the use of internal rating models to quantify the exposure risk, default risk and potential losses of our borrowers. Please refer to Table 2 for information on our internal rating models. We also use stress test models to simulate the potential increase in our credit losses and credit risk-weighted assets under stressed scenarios.

Risk Management

Table 2: Internal Rating Models

Internal credit rating models and their parameters—probability of default (PD), loss given default (LGD) and exposure at default (EAD)—are used in limit setting, credit approval, portfolio monitoring and reporting, remedial management, stress testing, internal assessment of the capital adequacy and impairment allowances.

Our Model Risk Management framework and Credit Rating Model framework govern the development, validation, application and performance monitoring of rating models. Approval for the adoption and continued use of material models rests with the BRMC. The models are developed with the active participation of credit experts from risk-taking and risk-control units and subject to independent validation before implementation to ensure that all aspects of the model development process have met our internal standards. In addition, Group Audit conducts an annual independent review of the rating assignment process, the effectiveness of the independent validation and the accuracy of the rating system operations. All rating models are assessed against internal and regulatory requirements and approved by regulators for use in capital assessment.

While our internal risk grades are not explicitly mapped to external credit ratings, they may correlate with external credit ratings in terms of the PD ranges, as factors used to rate obligors would be similar—an obligor rated poorly by an external credit rating agency is likely to have a weak internal risk rating.

The table below describes the approach used to estimate the key parameters for Advanced Internal Ratings Based (A-IRB) and Foundation Internal Ratings Based (F-IRB) credit risk models used to calculate Credit Risk Weighted Assets (CRWA).

Key Components of Internal Ratings Based (IRB) Models		
IRB Models and Portfolios	**PD**	**LGD and EAD**
A-IRB approach includes major retail portfolios such as residential mortgages, credit cards, auto loans, small businesses and margin lending	• Estimated based on the application and behaviour scores of obligors. • The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle.	• Product, collateral and geographical characteristics are major factors. • LGD models are calibrated to reflect the economic loss under downturn conditions. • EAD models are calibrated to reflect the long-run average or economic downturn conditions, if relevant.
F-IRB (Non-Supervisory Slotting) approach includes major wholesale portfolios such as Sovereign, Bank, Non-Bank Financial Institutions, Corporate Real Estate (including Income Producing Real Estate) and General Corporate	• PD models are statistics- based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. • Expert judgement models based on inputs from internal credit experts are typically used for portfolios with low default rates.	• Estimated based on rules prescribed in MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore (MAS Notice 637).
F-IRB (Supervisory Slotting) approach includes other specialised lending portfolios such as Project Finance, Object Finance and Commodities Finance	• Risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in MAS Notice 637.	• Estimated based on rules prescribed in MAS Notice 637.

- **Portfolio Reporting:** This includes internal and external reporting of portfolio risk information to the respective stakeholders. These reports provide a better understanding of how the quality of our credit portfolios is evolving in response to the changing operating environment and downside risks. Regular risk reports covering detailed credit exposures, credit migration, expected losses and risk concentrations by business segment and geography are provided to the Credit Risk Management Committee, CEO, BRMC and the Board for review and making timely, better-informed decisions.

With the insights provided by portfolio modelling and reporting, we appropriately allocate risk and financial resources (such as funding and capital) to support growth opportunities. We also use these insights to set credit concentration limits that manage the downside risk from adverse changes in the operating environment. The design of such credit concentration limits takes into consideration direct risk drivers (such as economic sector, industry, geographic location) and indirect risk drivers (such as collateral type or credit protection by a single counterparty) arising from credit risk mitigation.

Credit Risk Mitigation

Credit risk mitigation techniques are used to reduce credit risk exposures. Where possible, we take collateral from the borrower as a secondary recourse to mitigate credit risk. However, risk mitigation is not a substitute to the proper assessment of the obligor's ability to repay, which remains the primary repayment source.

The key considerations for eligible credit risk mitigants are set out in our credit policies. These criteria include legal certainty and enforceability, correlation, liquidity, marketability, counterparty risk of the protection provider and collateral-specific minimum operational requirements. Eligible physical and financial collateral types include cash, real estate, marketable securities, standby letters of credit and credit insurances.

Appropriate discount is applied to the market values of the collateral to reflect its underlying nature, quality, liquidity and volatility. Collateral is independently valued on a regular basis with frequency determined by its type, liquidity and volatility. Collateral holdings are regularly monitored to avoid concentration risk as the Bank seeks to diversify across asset classes and markets. Guarantees from individuals, corporates and institutions are accepted as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

Netting, collateral arrangements, early termination options and central clearing mechanisms are common risk mitigation tools for managing counterparty credit risk. The credit risk associated with contractual obligations is reduced by netting agreements in legally approved jurisdiction where all amounts with the counterparty are settled on a net basis in the event of a default. Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association (ISDA) and Credit Support Annexes (CSA), include a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. A discount is applied to the value of the eligible collateral to cover potential adverse market volatility and the minimum threshold amount may be subject to regulatory margin requirements where applicable. Agreements may also contain rating triggers to allow for termination of the transactions or require posting of additional collateral in the event of a rating downgrade. However, given our investment grade rating, there is minimal increase in collateral posting under a one-notch rating downgrade occurrence. Where available, we also clear OTC derivatives through approved Central Clearing Counterparties (CCP) to replace the counterparty's credit risk with a highly regulated and relatively better credit rated CCP.

Remedial Management

The Bank safeguards its position through proactive and regular monitoring of its credit portfolios. We have a robust process to detect vulnerable borrowers with signs of potential credit deterioration at an early stage via the Early Warning Review Forum.

Our credit exposures are categorised into "Pass", "Special Mention" or "Non-performing assets" (NPA). NPA are further categorised into "Substandard", "Doubtful" or "Loss" in accordance with MAS Notice 612 on Credit Files, Grading and Provisioning (MAS Notice 612). The categorisation of credit exposures is based on our assessment of borrowers' ability to repay their financial obligations from normal sources of income. We categorise retail borrowers into the respective MAS loan grades at facility level in line with MAS Notice 612. NPA may be upgraded to performing status when there is an established trend of credit improvement, supported by an assessment of the borrower's repayment capability, cash flows and financial position.

Credit exposures are classified as restructured assets when the Bank grants concessions to borrowers who are unable to meet their original repayment obligations. A restructured credit exposure is classified into the appropriate non-performing grade based on our assessment of the borrower's financial condition and ability to repay under the restructured terms. Such credit exposure must comply fully with the restructured terms for a reasonable period before it can be restored to performing status in accordance with MAS Notice 612.

Dedicated remedial management units manage the restructuring, work-out and recovery of NPA for wholesale portfolios. The objective is to rehabilitate NPA where possible or maximise recoveries for NPA that are on an exit strategy. For retail portfolios, we develop appropriate risk-based and time-based collections strategies to maximise recoveries. We use data such as delinquency buckets and adverse status tags for delinquent consumer loans to constantly analyse, fine-tune and prioritise our collection efforts.

Impairment Allowances for Loans

We maintain sufficient impairment allowances to absorb credit losses inherent in our loan portfolios. Allowance for Expected Credit Losses (ECL) is recognised for credit-impaired and non credit-impaired exposures in accordance with Singapore Financial Reporting Standard (International) 9: Financial Instruments (SFRS(I) 9) and MAS Notice 612 through a forward-looking ECL model. ECL allowances are assessed based on the stages of asset quality.

Risk Management

Stages of Asset Quality and Expected Credit Losses (ECL)

Non Credit-Impaired

Stage 1
Performing exposures with no significant increase in credit risk since initial recognition

12-month ECL

Stage 2
Performing exposures with significant increase in credit risk since initial recognition

Lifetime ECL

Credit-Impaired

Stage 3
Non-performing exposures

Lifetime ECL

Please refer to Note 2 in the Group's Financial Statements for more information on impairment allowances.

Market Risk Management

Market risks arise mainly from our trading, client servicing and balance sheet management activities.

Market Risk Management Approach

Our market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures are established to provide common guidelines and standards for managing market risks. Our market risk management strategy and limits are regularly reviewed and established within the Group's risk appetite and business strategies, taking into account prevailing macroeconomic and market conditions.

Market Risk Identification

Our internal New Product Approval Process (NPAP) identifies risk at product inception. Likewise, our risk managers identify market risks from their ongoing interactions with the business units.

Market Risk Measurements

Value-At-Risk

Value-at-Risk (VaR) – as a key market risk measure for our trading activities – is a component of aggregate market risk appetite. VaR is measured and monitored by individual market risk components, namely interest rate risk, foreign exchange risk, equity risk and credit spread risk, as well as at the consolidated level. Our VaR model is based on a historical simulation at a 99% confidence level, and over a one-day holding period. The defined confidence threshold of 99% means that statistically, losses on a single trading day may exceed VaR, on average, once every 100 days. Table 3 provides a summary of the Group's trading VaR profile by risk types as at 31 December 2019 and 31 December 2018.

Table 3: VaR by Risk Type – Trading Portfolio

	2019				2018			
S$ million	End of the period	Average	Minimum	Maximum	End of the period	Average	Minimum	Maximum
Interest Rate VaR	3.28	3.28	2.03	5.20	3.29	4.31	2.39	6.60
Foreign Exchange VaR	1.35	2.53	0.95	5.25	2.50	2.93	1.07	5.82
Equity VaR	2.88	1.48	0.37	3.14	1.49	1.33	0.45	3.99
Credit Spread VaR	1.17	1.76	0.85	4.28	1.99	2.94	0.88	4.67
Diversification Effect (1)	-4.58	-4.55	NM (2)	NM (2)	-4.86	-5.87	NM (2)	NM (2)
Aggregate VaR	4.11	4.51	2.65	7.42	4.40	5.65	3.79	8.97

Notes:
(1) Diversification effect is computed as the difference between Aggregate VaR and the sum of asset class VaRs.
(2) Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.

Other Risk Measures

As our main market risk arises from interest rate movements, Present Value of a Basis Point (PV01) – which measures the change in value of interest rate-sensitive exposures resulting from a one basis point increase across the entire yield curve – is an important measure that is monitored on a daily basis. Other than VaR and PV01, we use risk metrics like notional positions, Profit & Loss (P&L) for One Basis Point Move in Credit Spreads (CS01) and other risk variables for specific exposure types.

Stress Testing and Scenario Analysis

We perform stress testing and scenario analysis to quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to our trading activities and risk profile as well as prevailing and forecasted economic conditions. These analyses determine if potential losses from such extreme market conditions are within our risk tolerance. Besides the regular stress scenarios, ad hoc event-specific stress scenarios are also used to assess the potential impact of specific market conditions to the Bank's market risk exposures.

Risk Monitoring and Control

Limits

Trading units may only undertake authorised trading activities for approved products. All trading risk positions are monitored on a daily basis against approved and allocated limits. Trading activities are conducted within approved mandates and dynamically hedged to remain within limits. Hedge effectiveness is implicit in ensuring compliance with market risk limits and enforced through independent limit monitoring. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution.

Multiple risk limits (VaR and risk sensitivities), P&L stop-loss and other measures are also used to manage market risk exposures holistically.

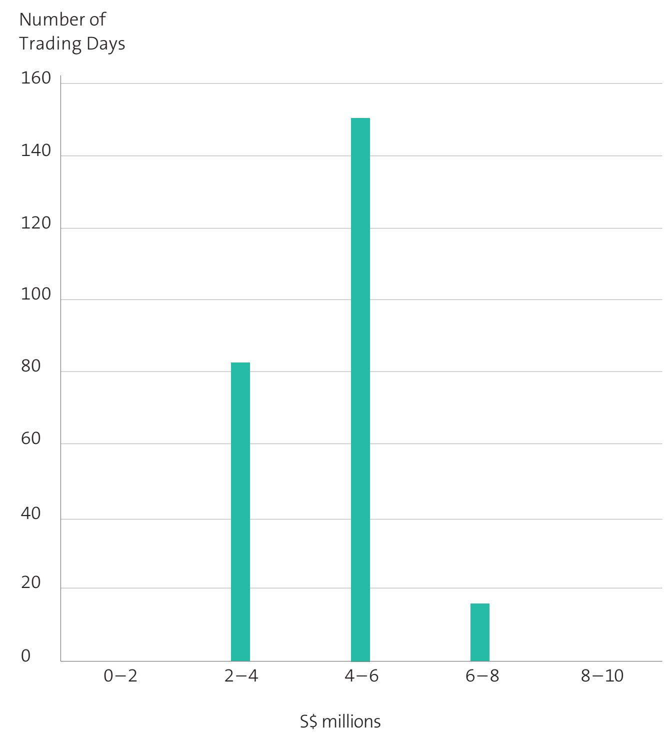
Model Validation

Model validation is an integral part of our risk control process. Financial models are used to price financial instruments and to calculate VaR. We ensure that the models used are fit for their intended purposes through internal independent validation and periodic reviews. We source market rates independently for risk measurement and valuation to enhance the integrity of the trading P&L and risk measures generated by these models.

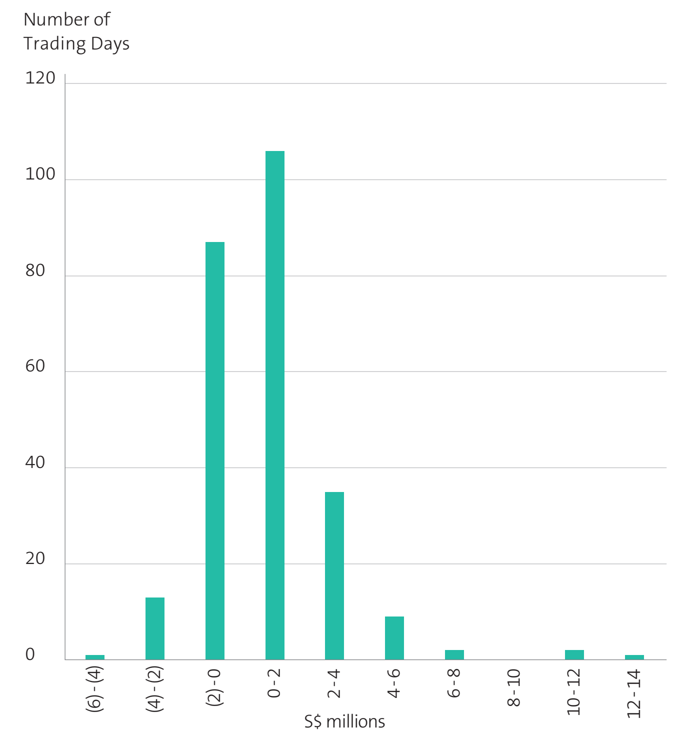
Back-testing

To ensure the continued integrity of our VaR model, we regularly back-test the VaR estimates against actual daily trading P&Ls and hypothetical P&Ls to confirm that the model does not underestimate market risk exposures. Please refer to the charts below for the Frequency Distribution of Group Trading Book's Daily Total VaR and P&L.

Frequency Distribution of Group Trading Book Daily Total VaR for FY 2019



Frequency Distribution of Group Trading Book Daily P&L for FY 2019



Risk Management

Asset Liability Management

Asset liability management is the strategic management of our balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

Asset Liability Management Approach

Our asset liability management framework focuses on managing the exposures arising from the Bank's balance sheet. We monitor our liquidity risk, interest rate risk in the banking book (IRRBB) and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in our framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of the prevailing market conditions and practices.

Liquidity Risk

The objective of liquidity risk management is to ensure that we have sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on both contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as to develop contingency funding plans. We maintain liquid assets in excess of regulatory requirements to strengthen our ability to meet liquidity needs during a crisis. These liquid assets comprise central bank reserves and marketable securities.

Interest Rate Risk in the Banking Book

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with our risk appetite. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

We use a range of techniques to measure IRRBB from both earnings and economic value perspectives on a monthly basis. One method involves the simulation of the impact of various interest rate scenarios on our net interest income and economic value of equity (EVE). Other measures include interest rate sensitivity measures such as PV01 and repricing gap profile analysis. Behavioural models are used to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements are used to adjust IRRBB management and hedging strategies, policies and positions.

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from our net investment in overseas branches, subsidiaries as well as other strategic and property assets. We manage structural foreign exchange risk through hedges and matched funding for foreign currency investments where appropriate.

Other Risks

Non-structural foreign exchange exposures in our banking book are largely transferred to our trading book for foreign exchange risk management. We are exposed to credit spread risk with the holding of high-quality liquid assets (HQLA) in our banking book to comply with the Liquidity Coverage Ratio (LCR). While HQLA have low default risk, their values could be sensitive to changes in credit spreads. This risk is monitored against approved CS01 limits on a daily basis and subject to historical and anticipatory stress testing. The other risk residing in our banking book is non-strategic equity price risk arising from our equity investment in listed and non-listed companies. Non-strategic equity investment forms an insignificant portion of our overall securities portfolio, excluding GEH.

Operational Risk Management

Operational risk is inherent in all banking products, activities, processes and systems. Effective management of operational risk is a fundamental element of our risk management programme that enhances our corporate culture.

Operational Risk Management Approach

Our operational risk management framework ensures operational risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. It enables us to fulfil our fiduciary duties, comply with legal and regulatory requirements, mitigate other risk factors and manage any reputational risk impact. We aim to manage both expected and unexpected losses, including those caused by catastrophic events. These twin objectives act as parameters to manage our risk as we pursue new business opportunities.

Each business unit undertakes self-assessments on a regular basis by evaluating the robustness of its risk and control environment, including compliance with legal and regulatory requirements. Performance metrics are also used to detect early warning signals and drive appropriate management actions before the risks result in material losses. Operational risk data is also analysed and reported regularly to senior management.

Senior management attests annually to the CEO, BRMC and Audit Committee on the adequacy and effectiveness of the internal controls and risk management systems and highlights accompanying remedial plans to address any outstanding key control deficiencies.

To mitigate operational losses, we have insurance programmes to protect the Bank and our employees against adverse events. These programmes cover losses relating to crime, cyber risks, professional indemnity, directors' and officers' liability, property damage and public liability.

In addition, the subject-specific key risks that we focus on and risk mitigation measures we put in place include but are not limited to the following:

Key Risks	How is Risk Managed?
Technology, Information and Cyber Risk	• Through framework and programmes which adopt a defence-in-depth approach to manage technology, information and cyber risks. The framework and programmes comprise: – Guidelines to promote the safe adoption of emerging technologies. – Appropriate controls to ensure the confidentiality, integrity and availability of our information assets, including regular security reviews and audits to test the control effectiveness. – Robust cyber defence capabilities, cyber risk vigilance and awareness, social engineering testing, incident response, crisis management and business continuity and insurance protection. They also include active senior management involvement to prevent, detect and respond to the evolving cyber threat landscape. • By actively engaging and sharing cyber threat information with industry players in the Association of Banks in Singapore (ABS) Standing Committee on Cyber Security and the Financial Services Information Sharing and Analysis Centre. *Please refer to our Sustainability Report for more information on cyber resilience.*
Anti-Money Laundering (AML)/ Countering the Financing of Terrorism (CFT) and Sanctions Risk	• Through a robust groupwide AML/CFT and sanctions framework and programme that are aligned with MAS AML/CFT and sanctions regulations, as well as with international organisations, such as the Financial Action Task Force (FATF), Basel Committee and Wolfsberg Group. The framework and programme comprise: – AML/CFT & Sanctions policy, guidelines and procedures covering key pillars such as customer due diligence, transaction monitoring, escalation protocol and investigation process. – Dedicated AML/CFT committee with members from senior management to oversight AML/CFT matters. – Risk assessment methodologies leveraging our existing monitoring and screening platform, data analytics to assess customer, product and geographical risks, as well as risk surveillance platform to monitor emerging financial crime trends and typologies. – Building staff competency and vigilance through targeted specialised training, including certified courses recognised by the Institute of Banking and Finance (IBF).

Risk Management

Key Risks	How is Risk Managed?
Legal and Regulatory Risk	• Through a legal and regulatory compliance risk management framework which defines the required environment and organisational components to ensure compliance with relevant laws, regulations, rules and standards. The framework is complemented by stringent and robust compliance policies, procedures and guidelines based on international best practices which are adapted to our requirements, and regular training to staff.
Fraud Risk	• Through fraud risk management and whistleblowing programmes to prevent and detect fraud or misconduct. These programmes comprise: – Internal and external whistleblowing channels for employees and the public. – Independent investigations into fraud incidents with regular reporting (including root cause analysis, extent of damage, remedial actions and recovery steps for major incidents) to the Operational Risk Management Committee and BRMC. – Fraud awareness for staff and customers. • Via robust anti-fraud detection systems to monitor transactions and detect any compromised devices interacting with our online banking platforms. • By having Group Audit independently review all fraud and whistleblowing cases. The outcomes are reported to the Audit Committee.
Third-Party Risk	• Through a programme which sets the control expectations to manage the risk arising from the use of third-party service providers, including the oversight by a multi-disciplinary management group. • By actively sharing practices and keeping abreast of industry developments via the ABS Outsourcing Advisory Committee.
Business Continuity Risk	• Through a programme to minimise the interruption to essential business activities and services during a crisis. The programme comprises: – Robust recovery strategies and business recovery plans which are reviewed and tested annually. – Regular exercises to enhance awareness and the robustness of the programme. – Annual attestation by senior management to the BRMC on the business continuity readiness, extent of alignment with MAS guidelines and declaration of acceptable residual risk.
Physical and People Security Risk	• Through a programme to address the physical and security risks to people and assets. This programme comprises: – Active monitoring of external events that may pose a threat to OCBC locations, people and assets. – Provision of advisories and response procedures to better prepare the Bank and our employees to handle risk events, including risks posed to staff on business travel.
Fiduciary Risk	• Through a fiduciary risk management programme to manage risks associated with fiduciary relationships arising from managing funds or providing other agency services. The programme provides guidelines on identification, assessment, monitoring and mitigation of fiduciary risk exposures to ensure compliance with applicable corporate standards.
Reputational Risk	• Through a reputational risk management policy which focuses on understanding and managing our responsibilities towards our stakeholders and protecting our reputation. This includes the identification, assessment, monitoring and mitigation of reputational risk exposures, as well as effective information sharing and engagement with our stakeholders.

Pillar 3 Disclosures

(OCBC Group – As at 31 December 2019)

Introduction

In accordance with Pillar 3 disclosure requirements under Monetary Authority of Singapore (MAS) Notice 637 on Risk Based Capital Adequacy Requirements, Notice 651 on Liquidity Coverage Ratio Disclosure and Notice 653 on Net Stable Funding Ratio Disclosure for Banks incorporated in Singapore, relevant quantitative and qualitative disclosures have been included in the Stand-alone Pillar 3 Disclosures Report and this Annual Report under the Risk Management, Corporate Governance, Capital Management Chapters and the Notes to Financial Statements. The Pillar 3 disclosures are to enable market participants to better understand and compare capital adequacy and risk profiles across banks via improved consistency in public disclosure.

Scope of Consolidation

The consolidation basis used for regulatory capital computation is similar to that used for financial reporting except for Great Eastern Holdings Limited and its insurance subsidiaries, which are excluded from regulatory consolidation and are treated as investments in unconsolidated major stake companies that are financial institutions in accordance with MAS Notice 637's definition of an insurance subsidiary. The regulatory adjustments applied to these investments are in accordance with MAS Notice 637 paragraphs 6.1.3(p), 6.2.3(e) and 6.3.3(e).

The Stand-alone Pillar 3 Disclosures Report is located in the Capital and Regulatory section of OCBC's website under Fourth Quarter and Full Year 2019 (http://www.ocbc.com/group/investors/cap_and_reg_disclosures.html).

Overview of Disclosures

To read the quantitative and qualitative Pillar 3 disclosures, please refer to this table:

Disclosure Requirement	Location of Disclosure
Overview of Risk Management and Risk Weighted Assets (RWA)	
Key Metrics	Pillar 3 Disclosures Report Section 4
Risk Management Approach	OCBC Annual Report 2019 – Risk Management Chapter – Corporate Governance Chapter – Capital Management Chapter
Overview of RWA	Pillar 3 Disclosures Report Section 11
Linkages between Financial Statements and Regulatory Exposures	
Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories	Pillar 3 Disclosures Report Section 7.1
Main Sources of Differences between Regulatory Exposure Amounts and Carrying Amounts in Financial Statements	Pillar 3 Disclosures Report Section 7.2
Qualitative Disclosure of Differences between Carrying Amounts in Financial Statements and Regulatory Exposure Amounts	Pillar 3 Disclosures Report Sections 3 and 7 OCBC Annual Report 2019 – Notes to Financial Statements, Fair Values of Financial Instruments: Valuation Governance Framework [1] and Fair values – Notes to Financial Statements, Summary of Significant Accounting Policies: Critical Accounting Estimates and Judgements, Fair Value Estimation
Prudent Valuation Adjustments	Pillar 3 Disclosures Report Section 7.3

(1) Valuation Governance Framework does not apply to Great Eastern Holdings Limited and its insurance subsidiaries.

Pillar 3 Disclosures

(OCBC Group – As at 31 December 2019)

Disclosure Requirement	Location of Disclosure
Credit Risk	
General Qualitative Disclosures about Credit Risk	OCBC Annual Report 2019 – Risk Management Chapter, Credit Risk Management
Credit Quality of Assets	Pillar 3 Disclosures Report Section 9.1
Changes in Stock of Defaulted Loans and Debt Securities	Pillar 3 Disclosures Report Section 9.2
Additional Disclosures Related to the Credit Quality of Assets	Pillar 3 Disclosures Report Sections 9.3, 9.4 and 9.5 OCBC Annual Report 2019 – Risk Management Chapter, Credit Risk Management: Remedial Management – Notes to Financial Statements, Summary of Significant Accounting Policies: Impairment of Assets – Notes to Financial Statements, Risk Management: Credit Risk
Qualitative Disclosures Related to Credit Risk Mitigation (CRM) Techniques	OCBC Annual Report 2019 – Risk Management Chapter, Credit Risk Management: Credit Risk Mitigation – Risk Management Chapter, Credit Risk Management: Credit Portfolio Management – Notes to Financial Statements, Risk Management: Credit Risk, Collaterals – Notes to Financial Statements, Offsetting Financial Assets and Financial Liabilities
Overview of CRM Techniques	Pillar 3 Disclosures Report Section 13.5
Qualitative Disclosures on the Use of External Credit Ratings under the Standardised Approach (SA) Credit Risk (CR)	Pillar 3 Disclosures Report Section 10
(SA)(CR) and (SA) Equity Exposures (EQ) – Credit Risk Exposure and CRM Effects	Pillar 3 Disclosures Report Section 13.1
(SA)(CR) and (SA)(EQ) – Exposures by Asset Classes and Risk Weights	Pillar 3 Disclosures Report Section 13.2
Qualitative Disclosures for Internal Ratings-Based Approach (IRBA) Models	OCBC Annual Report 2019 – Risk Management Chapter, Credit Risk Management: Internal Credit Rating Models – Risk Management Chapter, Credit Risk Management: Key Components of Internal Ratings Based (IRB) Models
IRBA – Credit Risk Exposures by Portfolio and Probability of Default (PD) Range	Pillar 3 Disclosures Report Sections 13.3 and 13.4
IRBA – Effect on RWA of Credit Derivatives used as CRM	Pillar 3 Disclosures Report Section 13.6
IRBA – RWA Flow Statement for Credit Risk Exposures	Pillar 3 Disclosures Report Section 12
IRBA – Backtesting of PD per Portfolio	Pillar 3 Disclosures Report Section 14
IRBA - Specialised Lending and Equities under the Simple Risk Weight Method	Pillar 3 Disclosures Report Section 15

Disclosure Requirement	Location of Disclosure
Counterparty Credit Risk (CCR)	
Qualitative Disclosures Related to CCR	OCBC Annual Report 2019 – Risk Management Chapter, Credit Risk Management: Managing Counterparty Credit Risk – Risk Management Chapter, Credit Risk Management: Credit Risk Mitigation
Analysis of CCR Exposure by Approach	Pillar 3 Disclosures Report Section 16.1
Credit Valuation Adjustments (CVA) Risk Capital Requirements	Pillar 3 Disclosures Report Section 16.2
Exposures to Central Counterparties	Pillar 3 Disclosures Report Section 16.3
Standardised Approach – CCR Exposures by Portfolio and Risk Weights	Pillar 3 Disclosures Report Section 16.4
IRBA – CCR Exposures by Portfolio and PD Range	Pillar 3 Disclosures Report Sections 16.5 and 16.6
Composition of Collateral for CCR Exposure	Pillar 3 Disclosures Report Section 16.7
Credit Derivative Exposures	Pillar 3 Disclosures Report Section 16.8
RWA Flow Statements under the CCR Internal Models Method	Pillar 3 Disclosures Report Section 2
Securitisation	
Qualitative Disclosure Related to Securitisation Exposures Securitisation Exposures in the Banking and/or Trading Book Securitisation Exposures in the Banking Book and Associated Regulatory Capital Requirements – A Reporting Bank acting as Originator/ Sponsor/ Investor	Pillar 3 Disclosures Report Sections 10 and 17
Market Risk	
Qualitative Disclosure Related to Market Risk	Pillar 3 Disclosures Report Section 10 OCBC Annual Report 2019 – Risk Management Chapter, Market Risk Management
Qualitative Disclosures Related to Internal Models Approach (IMA) Market Risk under Standardised Approach	Pillar 3 Disclosures Report Section 18
RWA Flow Statements of Market Risk Exposures under IMA	Pillar 3 Disclosures Report Section 2
IMA Values for Trading Portfolios	Pillar 3 Disclosures Report Section 18
Comparison of VaR Estimates with Gains or Losses	OCBC Annual Report 2019 – Risk Management Chapter, Market Risk Management: Market Risk Measurements – Risk Management Chapter, Market Risk Management: Risk Monitoring and Control

Pillar 3 Disclosures

(OCBC Group – As at 31 December 2019)

Disclosure Requirement	Location of Disclosure
Operational Risk	
Operational Risk	Pillar 3 Disclosures Report Section 10 OCBC Annual Report 2019 – Risk Management Section, Operational Risk Management
Interest Rate Risk in the Banking Book	
Interest Rate Risk in the Banking Book	Pillar 3 Disclosures Report Section 19 OCBC Annual Report 2019 – Risk Management Chapter, Asset Liability Management: Interest Rate Risk in the Banking Book – Notes to Financial Statements, Risk Management: Market Risk and Asset Liability Management, Interest Rate Risk
Remuneration	
Remuneration	OCBC Annual Report 2019 – Corporate Governance Chapter related to Remuneration
Composition of Capital	
Reconciliation of Regulatory Capital to Balance Sheet	Pillar 3 Disclosures Report Section 6.1
Composition of Regulatory Capital	Pillar 3 Disclosures Report Section 6.2
Main Features of Regulatory Capital Instruments	Pillar 3 Disclosures Report Section 6.3
Leverage Ratio	
Leverage Ratio Summary Comparison Table	Pillar 3 Disclosures Report Section 8.1
Leverage Ratio Common Disclosure Table	Pillar 3 Disclosures Report Section 8.2
Macroprudential Supervisory Measures	
Disclosure of Global Systemically Important Bank (G-SIB) Indicators	Pillar 3 Disclosures Report Section 5.1
Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer	Pillar 3 Disclosures Report Section 5.2
Liquidity Coverage Ratio	
Liquidity Coverage Ratio	Pillar 3 Disclosures Report Section 20
Net Stable Funding Ratio	
Net Stable Funding Ratio	Pillar 3 Disclosures Report Section 21
Others	
Attestation Statement	Pillar 3 Disclosures Report Sections 1 and 2
Overview of Disclosure Policy	Pillar 3 Disclosures Report Section 2

Financial Report

Management Discussion and Analysis

Overview

	2019 S$ million	2018 S$ million	+/(-) %
Selected Income Statement Items			
Net interest income	6,331	5,890	7
Non-interest income	4,540	3,811	19
Total income	10,871	9,701	12
Operating expenses	(4,644)	(4,214)	10
Operating profit before allowances and amortisation	6,227	5,487	13
Amortisation of intangible assets	(103)	(102)	1
Allowances for loans and other assets	(746)	(288)	160
Operating profit after allowances and amortisation	5,378	5,097	6
Share of results of associates, net of tax	566	455	24
Core profit before income tax	5,944	5,552	7
Core net profit attributable to equity holders of the Bank	4,960	4,492	10
One-time items [(1)]			
Allowances	(144)	–	–
Tax	36	–	–
Non-controlling interest	17	–	–
Reported net profit attributable to equity holders of the Bank	4,869	4,492	8
Cash basis net profit attributable to equity holders of the Bank [(2)]	4,972	4,594	8
Selected Balance Sheet Items			
Ordinary equity	45,662	40,637	12
Equity attributable to equity holders of the Bank	47,162	42,137	12
Total assets	491,691	467,543	5
Assets excluding life insurance fund investment assets	404,353	390,676	4
Net customer loans	262,045	255,193	3
Deposits of non-bank customers	302,851	295,412	3
Per Ordinary Share (S$)			
Basic earnings [(3)(4)]	1.14	1.06	
Diluted earnings [(3)(4)]	1.14	1.06	
Net asset value	10.38	9.56	
Key Financial Ratios (%)			
Return on equity [(3)(4)(5)]	11.4	11.5	
Return on assets [(3)(6)]	1.26	1.17	
Net interest margin	1.77	1.70	
Net interest income to total income	58.2	60.7	
Non-interest income to total income	41.8	39.3	
Cost-to-income	42.7	43.4	
Loans-to-deposits	86.5	86.4	
Non-performing loans ratio	1.5	1.5	
Total capital adequacy ratio (CAR) [(7)]	16.8	16.4	
Tier 1 CAR [(7)]	15.6	14.8	
Common Equity Tier 1 CAR [(7)]	14.9	14.0	
Leverage ratio [(7)(8)]	7.7	7.2	
Singapore dollar liquidity coverage ratio [(7)(9)]	273	244	
All-currency liquidity coverage ratio [(7)(9)]	155	143	
Net stable funding ratio [(7)(10)]	111	109	

(1) One-time items arose from a refinement in the Group's Expected Credit Loss (ECL) modelling approach for its Indonesian banking subsidiary, Bank OCBC NISP, relating to allowances for non-impaired assets as it prepared for the introduction of International Financial Reporting Standard 9 Financial Instruments.
(2) Excludes amortisation of intangible assets.
(3) Exclude one-time items.
(4) Calculated based on core net profit less distributions on other equity instruments paid and estimated to be due at the end of the financial year.
(5) Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
(6) Computation of return on assets excludes life insurance fund investment assets.
(7) Public disclosures required under MAS Notice 637, MAS Notice 651 and MAS Notice 653 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).
(8) The Group's leverage ratio is computed based on MAS Notice 637.
(9) The Group's liquidity coverage ratios (LCR) are computed based on MAS Notice 649 and reported based on the average LCR for the respective years.
(10) The Group's net stable funding ratio is computed based on MAS Notice 652.

Overview (continued)

The Group reported a record net profit after tax of S$4.87 billion for the financial year ended 31 December 2019, 8% higher than S$4.49 billion a year ago. The resilient performance was driven by sustained earnings growth across the Group's banking, wealth management and insurance franchise.

Net interest income increased 7% to a new high of S$6.33 billion from S$5.89 billion in the previous year, underpinned by asset growth and a rise in net interest margin (NIM). NIM expanded 7 basis points to 1.77%, mainly in Singapore and Greater China, as higher asset yields outpaced the rise in funding costs.

Non-interest income climbed 19% year-on-year from S$3.81 billion to S$4.54 billion in 2019, driven by broad-based income growth. Net fee income rose 5% to a record S$2.12 billion, led by higher wealth management and credit card fees, as well as increased fees from loan, trade and investment banking activities. Net trading income grew substantially to S$977 million from S$508 million a year ago, mainly attributable to an 18% increase in customer flow income and mark-to-market gains in Great Eastern Holdings' (GEH) investment portfolio. Net gains from the sale of investment securities were higher at S$171 million as compared to S$16 million in the previous year.

Income from life and general insurance rose 7% to S$976 million. Total weighted new sales of S$1.26 billion and new business embedded value (NBEV) of S$616 million at GEH were both higher year-on-year, by 1% and 15% respectively. NBEV margin improved to 48.8% from 43.0% a year ago as a result of GEH's product and distribution strategy to optimise its product mix.

The Group's wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 20% to a new high of S$3.40 billion in 2019, up from S$2.84 billion a year ago. This represented 31% of the Group's total income for the year, higher than the 29% in the previous year. Bank of Singapore's assets under management (AUM) expanded 15% year-on-year to a record US$117 billion (S$158 billion) from US$102 billion (S$139 billion) in the previous year, driven by sustained net new money inflows and positive market valuations.

Operating expenses of S$4.64 billion for the year were 10% higher than 2018, largely attributable to an increase in staff costs linked to headcount growth, including at GEH which saw a more substantial rise in staff expenses as it positioned for higher volume growth. The Group's cost-to-income ratio (CIR) declined to 42.7%, from 43.4% in the previous year. Net allowances for loans and other assets were higher at S$746 million as compared to S$288 million a year ago.

Share of profits from associates rose 24% to S$566 million, from S$455 million in the previous year.

Core return on equity (ROE) of 11.4% in 2019 was marginally below 11.5% a year ago, attributable to the enlarged share capital base as a result of the application of the Scrip Dividend Scheme. Core earnings per share was higher at S$1.14 against S$1.06 in the previous year.

Allowances and Asset Quality

Asset quality remained satisfactory as the Group continued to exercise prudence in the current operating environment, and stayed proactive in managing its loan portfolio.

As at 31 December 2019, total non-performing assets (NPA) were S$3.88 billion, down from S$3.94 billion a year ago. The decline in NPAs was led by the upgrades and recoveries from accounts in the oil and gas support vessels and services (OSV) industry as well as write-offs in that sector. The non-performing loans ratio of 1.45% was lower as compared to 1.49% in the previous year. Total cumulative allowances represented 250% of unsecured NPAs as at 31 December 2019.

Net allowances for loans and other assets in 2019 were higher year-on-year at S$746 million. This excluded the one-time charge of S$144 million in 2019 arising from a refinement in the Group's ECL modelling approach for its Indonesian banking subsidiary, Bank OCBC NISP, relating to allowances for non-impaired assets as it prepared for the introduction of International Financial Reporting Standard 9 Financial Instruments. Excluding the one-time item, the year-on-year increase was largely attributable to allowances made for the non-performing loans in the OSV sector where vessels coming off charter were not able to secure term renewals. Consistent with past practices, the collateral valuation of vessels pending employment were written down to scrap value. The Group also set aside additional allowances for non-impaired loans resulting from the adjustment to the macro economic variables in the ECL model to reflect the weaker market outlook in the region.

Management Discussion and Analysis

Overview (continued)

Funding and Capital Position

The Group's funding and capital position remained strong. Customer loans grew 3% year-on-year to S$265 billion as at 31 December 2019, led by higher loans to the manufacturing, building and construction sectors, as well as financial institutions, investment and holding companies. Customer deposits rose 3% from a year ago to S$303 billion, driven by a 7% increase in current account and savings deposits (CASA). CASA represented 48.4% of total non-bank deposits, an increase from 46.4% as at 31 December 2018. The Group's loans-to-deposits ratio was 86.5%, as compared to 86.4% in the previous year.

For 2019, the average Singapore dollar and all-currency liquidity coverage ratios for the Group were higher year-on-year at 273% and 155% respectively, while the net stable funding ratio was 111%.

As at 31 December 2019, the Group's Common Equity Tier 1 capital adequacy ratio was higher at 14.9% as compared to 14.0% a year ago, and the leverage ratio improved to 7.7% from 7.2% in the previous year.

These regulatory ratios were all above their respective regulatory requirements.

Final Dividend

The Board has proposed a final tax-exempt dividend of 28 cents per share. This represents a 22% increase from the final dividend of 23 cents a year ago and 12% rise from 2019 interim dividend of 25 cents. Together with the interim dividend of 25 cents per share, the total dividend for 2019 amounts to 53 cents per share, 23% or 10 cents higher than the 43 cents in the previous year. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total dividend payout will amount to S$2.31 billion, up 27% from 2018. This represents a dividend payout ratio of 47% against core net profit, which is above the 40% a year ago.

Net Interest Income

Average Balance Sheet

	2019			2018		
	Average Balance S$ million	Interest S$ million	Average Rate %	Average Balance S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**256,418**	**9,086**	**3.54**	247,778	8,195	3.31
Placements with and loans to banks	**47,543**	**1,503**	**3.16**	50,110	1,559	3.11
Other interest earning assets	**53,398**	**1,509**	**2.82**	49,473	1,295	2.62
	357,359	**12,098**	**3.39**	347,361	11,049	3.18
Interest bearing liabilities						
Deposits of non-bank customers	**296,279**	**4,807**	**1.62**	287,333	4,169	1.45
Deposits and balances of banks	**10,687**	**192**	**1.79**	8,646	182	2.11
Other borrowings	**26,748**	**768**	**2.87**	31,482	808	2.56
	333,714	**5,767**	**1.73**	327,461	5,159	1.58
Net interest income/margin [1]		**6,331**	**1.77**		5,890	1.70

Net interest income rose 7% to S$6.33 billion in 2019, from S$5.89 billion a year ago, mainly driven by asset growth and a rise in NIM. NIM expanded 7 basis points to 1.77%, from 1.70% in 2018, underpinned by higher margins in Singapore and Greater China.

Volume and Rate Analysis

Increase/(decrease) for 2019 over 2018 due to change in:	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	286	605	891
Placements with and loans to banks	(80)	24	(56)
Other interest earning assets	103	111	214
	309	740	1,049
Interest expense			
Deposits of non-bank customers	130	508	638
Deposits and balances of banks	44	(34)	10
Other borrowings	(122)	82	(40)
	52	556	608
Impact on net interest income	257	184	441

(1) *Net interest margin is net interest income as a percentage of interest earning assets.*

Management Discussion and Analysis

Non-Interest Income

	2019 S$ million	2018 S$ million	+/(-) %
Gross fee and commission income			
Brokerage	**82**	105	(22)
Wealth management	**1,036**	958	8
Fund management	**115**	113	2
Credit card	**348**	351	(1)
Loan-related	**307**	300	2
Trade-related and remittances	**254**	239	6
Guarantees	**16**	18	(7)
Investment banking	**106**	102	4
Service charges	**99**	100	(1)
Others	**44**	40	9
	2,407	2,326	3
Fee and commission expense	**(284)**	(295)	(4)
Fees and commissions (net)	**2,123**	2,031	5
Dividends	**92**	128	(28)
Rental income	**80**	79	1
Income from life and general insurance			
Profit from life insurance	**779**	740	5
Premium income from general insurance	**197**	171	14
Sub-total	**976**	911	7
Other income			
Net trading income	**977**	508	92
Net gain from investment securities	**171**	16	955
Net gain from disposal of subsidiaries and associate	**1**	8	(91)
Net gain from disposal of properties	**83**	47	77
Others	**37**	83	(55)
Sub-total	**1,269**	662	92
Total non-interest income	**4,540**	3,811	19

Non-interest income was 19% higher at S$4.54 billion in 2019 as compared to S$3.81 billion a year ago. Net fees and commissions rose 5% to S$2.12 billion, driven by higher wealth management and credit card fees, as well as increased fees from loan, trade and investment banking activities. Net trading income was higher at S$977 million, as compared to S$508 million in the previous year, mainly attributable to an 18% rise in customer flow income and mark-to-market gains in GEH's investment portfolio. Income from life and general insurance rose 7% to S$976 million, while net gains from the sale of investment securities of S$171 million were higher than the S$16 million a year ago. Net gains from the sale of properties were S$83 million as compared to S$47 million in 2018.

Operating Expenses

	2019 S$ million	2018 S$ million	+/(-) %
Staff costs	**2,840**	2,606	9
Property and equipment			
Depreciation	**397**	317	25
Maintenance	**136**	124	9
Rental expenses	**24**	100	(76)
Others	**301**	271	11
	858	812	6
Other operating expenses	**946**	796	19
Total operating expenses	**4,644**	4,214	10
Group staff strength			
Year end	**30,492**	29,706	3
Average	**30,220**	29,549	2

Operating expenses rose 10% to S$4.64 billion in 2019, up from S$4.21 billion a year ago. Staff costs were up 9% to S$2.84 billion, from S$2.61 billion in the previous year, largely from a rise in staff costs linked to headcount growth, including at GEH which saw a more substantial increase in staff expenses as it positioned for higher volume growth. Property and equipment-related expenses were S$858 million, an increase of 6% from S$812 million in the previous year. With the adoption of Singapore Financial Reporting Standard (International) 16 Leases, depreciation for right-of-use assets in 2019 was S$78 million, replacing the rental expenses.

The cost-to-income ratio was lower at 42.7% in 2019, as compared to 43.4% a year ago.

Allowances for Loans and Other Assets [1]

	2019 S$ million	2018 S$ million	+/(-) %
Allowances/(write-back):			
Impaired loans			
Singapore	**320**	219	46
Malaysia	**99**	64	56
Indonesia	**304**	125	143
Greater China	**88**	34	155
Others	**45**	(45)	201
	856	397	116
Impaired other assets	**2**	5	(61)
Non-impaired loans	**(109)**	(90)	(20)
Non-impaired other assets	**(3)**	(24)	89
Allowances for loans and other assets	**746**	288	160

(1) *Excluding a one-time item.*

Allowances for loans and other assets were S$746 million in 2019, as compared to S$288 million a year ago. The year-on-year increase was largely attributable to allowances made for the non-performing loans in the oil and gas support vessels and services industry, as well as additional allowances for non-impaired loans resulting from the adjustment to the macro economic variables in the Expected Credit Loss model to reflect the weaker market outlook in the region.

Management Discussion and Analysis

Customer Loans

	2019 S$ million	2018 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**8,963**	8,894	1
Manufacturing	**17,074**	16,493	4
Building and construction	**64,686**	53,511	21
Housing loans	**62,069**	64,753	(4)
General commerce	**31,823**	34,408	(8)
Transport, storage and communication	**13,311**	13,510	(1)
Financial institutions, investment and holding companies	**24,542**	23,916	3
Professionals and individuals	**30,322**	30,373	–
Others	**11,983**	11,847	1
	264,773	257,705	3
By Currency			
Singapore Dollar	**93,559**	91,640	2
United States Dollar	**65,163**	67,248	(3)
Malaysian Ringgit	**20,878**	20,870	–
Indonesian Rupiah	**9,222**	8,695	6
Hong Kong Dollar	**34,355**	35,195	(2)
Chinese Renminbi	**4,933**	4,502	10
Others	**36,663**	29,555	24
	264,773	257,705	3
By Geography [1]			
Singapore	**108,981**	108,169	1
Malaysia	**28,585**	29,649	(4)
Indonesia	**19,680**	19,660	–
Greater China	**65,358**	64,404	1
Other Asia Pacific	**15,674**	13,595	15
Rest of the World	**26,495**	22,228	19
	264,773	257,705	3

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

Gross loans to customers were S$265 billion as at 31 December 2019, and were higher from a year ago. By industry, the year-on-year loan growth was led by higher loans to the manufacturing, building and construction sectors, as well as financial institutions, investment and holding companies. In constant currency terms, customer loans grew 3% from the previous year.

Non-Performing Assets

	Total NPAs [1] S$ million	Substandard S$ million	Doubtful S$ million	Loss S$ million	Secured NPAs/ Total NPAs %	NPLs [2] S$ million	NPL Ratio [2] %
Singapore							
31 Dec 2019	**1,717**	**1,309**	**237**	**171**	**79.2**	**1,685**	**1.5**
31 Dec 2018	1,540	923	433	184	65.0	1,456	1.3
Malaysia							
31 Dec 2019	**738**	**372**	**321**	**45**	**60.1**	**726**	**2.5**
31 Dec 2018	806	395	369	42	70.9	803	2.7
Indonesia							
31 Dec 2019	**678**	**289**	**222**	**167**	**49.7**	**677**	**3.4**
31 Dec 2018	619	406	95	118	75.0	618	3.1
Greater China							
31 Dec 2019	**230**	**54**	**133**	**43**	**51.7**	**230**	**0.4**
31 Dec 2018	262	120	106	36	49.9	261	0.4
Other Asia Pacific							
31 Dec 2019	**101**	**77**	**23**	**1**	**58.8**	**101**	**0.6**
31 Dec 2018	176	158	18	0	57.3	165	1.2
Rest of the World							
31 Dec 2019	**419**	**229**	**183**	**7**	**56.4**	**419**	**1.6**
31 Dec 2018	535	354	180	1	66.5	535	2.4
Group							
31 Dec 2019	**3,883**	**2,330**	**1,119**	**434**	**65.8**	**3,838**	**1.5**
31 Dec 2018	3,938	2,356	1,201	381	66.7	3,838	1.5

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

Asset quality remained satisfactory as the Group continued to exercise prudence and stayed proactive in managing its loan portfolio. Non-performing assets (NPAs) were S$3.88 billion as at 31 December 2019, a 1% decline from S$3.94 billion a year ago.

The Group's NPL ratio was 1.5%, unchanged from the previous year. Of the total NPAs, 60% were in the substandard category and 66% were secured by collateral.

Management Discussion and Analysis

Non-Performing Assets (continued)

	2019		2018	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**468**	**5.2**	555	6.2
Manufacturing	**468**	**2.7**	395	2.4
Building and construction	**155**	**0.2**	143	0.3
Housing loans	**435**	**0.7**	429	0.7
General commerce	**555**	**1.7**	676	2.0
Transport, storage and communication	**1,563**	**11.7**	1,328	9.8
Financial institutions, investment and holding companies	**25**	**0.1**	38	0.2
Professionals and individuals	**123**	**0.4**	118	0.4
Others	**46**	**0.4**	156	1.3
Total NPLs	**3,838**	**1.5**	3,838	1.5
Classified debt securities	**2**		2	
Classified contingent liabilities	**43**		98	
Total NPAs	**3,883**		3,938	

	2019		2018	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**1,770**	**46**	1,225	31
Over 90 to 180 days	**173**	**4**	397	10
30 to 90 days	**530**	**14**	396	10
Less than 30 days	**474**	**12**	164	4
Not overdue	**936**	**24**	1,756	45
	3,883	**100**	3,938	100

Cumulative Allowances for Assets [1]

	Total cumulative allowances S$ million	Allowances for impaired assets S$ million	Allowances for non-impaired assets S$ million	Allowances for impaired assets as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
31 Dec 2019	**1,476**	**679**	**797**	**39.6**	**86.0**
31 Dec 2018	1,160	483	677	31.3	75.4
Malaysia					
31 Dec 2019	**597**	**308**	**289**	**41.7**	**80.8**
31 Dec 2018	552	333	219	41.3	68.5
Indonesia					
31 Dec 2019	**571**	**237**	**334**	**34.9**	**84.1**
31 Dec 2018	407	200	207	32.2	65.7
Greater China					
31 Dec 2019	**382**	**47**	**335**	**20.5**	**166.5**
31 Dec 2018	390	61	329	23.4	148.9
Other Asia Pacific					
31 Dec 2019	**94**	**32**	**62**	**31.2**	**92.5**
31 Dec 2018	45	2	43	1.4	25.8
Rest of the World					
31 Dec 2019	**201**	**94**	**107**	**22.5**	**48.0**
31 Dec 2018	215	142	73	26.6	40.1
Group					
31 Dec 2019	**3,321**	**1,397**	**1,924**	**36.0**	**85.5**
31 Dec 2018	2,769	1,221	1,548	31.0	70.3

(1) *Included regulatory loss allowance reserve.*

As at 31 December 2019, the Group's total cumulative allowances for assets were S$3.32 billion. This comprised S$1.40 billion in allowances for impaired assets and S$1.92 billion in allowances for non-impaired assets. The cumulative allowances represented 250% of unsecured NPAs and 86% of total NPAs.

Management Discussion and Analysis

Deposits

	2019 S$ million	2018 S$ million	+/(-) %
Deposits of non-bank customers	**302,851**	295,412	3
Deposits and balances of banks	**8,250**	7,576	9
	311,101	302,988	3
Total Deposits by Maturity			
Within 1 year	**307,522**	297,702	3
1 to 3 years	**1,792**	2,749	(35)
Over 3 years	**1,787**	2,537	(30)
	311,101	302,988	3
Non-Bank Deposits by Product			
Fixed deposits	**128,989**	131,610	(2)
Savings deposits	**57,465**	52,796	9
Current account	**89,024**	84,295	6
Others	**27,373**	26,711	2
	302,851	295,412	3
Non-Bank Deposits by Currency			
Singapore Dollar	**107,278**	105,327	2
United States Dollar	**102,800**	91,036	13
Malaysian Ringgit	**22,827**	23,297	(2)
Indonesian Rupiah	**10,221**	9,474	8
Hong Kong Dollar	**25,905**	28,428	(9)
Chinese Renminbi	**6,679**	7,674	(13)
Others	**27,141**	30,176	(10)
	302,851	295,412	3

Non-bank customer deposits as at 31 December 2019 were S$303 billion, up 3% from S$295 billion a year ago. The year-on-year growth was mainly attributable to an increase in current account and savings deposits (CASA), and the ratio of CASA to total non-bank deposits was higher at 48.4%, as compared to 46.4% a year ago. The Group's loans-to-deposits ratio was 86.5% as at 31 December 2019.

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 after Allowances and Amortisation by Business Segment [1]

	2019 S$ million	2018 S$ million	+/(-) %
Global Consumer/Private Banking	**1,445**	1,313	10
Global Corporate/Investment Banking	**1,653**	2,051	(19)
Global Treasury and Markets	**590**	492	20
OCBC Wing Hang	**423**	497	(15)
Insurance	**1,068**	811	32
Others	**199**	(67)	(398)
Operating profit after allowances and amortisation	**5,378**	5,097	6

(1) *Excluding a one-time item.*

Performance by Business Segment (continued)

Global Consumer/Private Banking

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

Global Consumer/Private Banking's operating profit after allowances was S$1.45 billion in 2019, a year-on-year increase of 10%. The operating profit growth was led by higher net interest income and fee income, partly offset by higher expenses.

Global Corporate/Investment Banking

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

Global Corporate/Investment Banking's operating profit after allowances fell 19% to S$1.65 billion in 2019. The drop in operating profit was attributable to higher allowances, which more than offset revenue growth.

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 rose 20% to S$590 million in 2019. The year-on-year increase in operating profit was largely contributed by higher gains from its fixed income portfolio, partly offset by a drop in net interest income.

OCBC Wing Hang

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

OCBC Wing Hang's operating profit after allowances fell 15% to S$423 million in 2019, largely from a one-time gain of S$40 million from the forfeiture of deposit received in relation to the sale of Hong Kong Life in 2018. Excluding this one-time item, operating profit fell 7% from a year ago, as higher expenses and allowances offset the increase in net interest income.

Insurance

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

GEH recorded strong growth in operating profit after allowances in 2019 led by positive performance in its investment portfolio. Operating profit rose 32% year-on-year to S$1.07 billion. The operating profit growth was mainly attributable to higher mark-to-market gains in equities, and a rise in insurance income led by strong investment performance as a result of narrowing credit spreads, partly offset by an increase in expenses.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S$832 million in 2019, compared with S$604 million in the previous year.

Others

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

Management Discussion and Analysis

Performance by Geographical Segment

	2019		2018	
	S$ million	%	S$ million	%
Total income				
Singapore	**6,552**	**60**	5,552	57
Malaysia	**1,469**	**13**	1,457	15
Indonesia	**849**	**8**	769	8
Greater China	**1,494**	**14**	1,477	15
Other Asia Pacific	**224**	**2**	212	2
Rest of the World	**283**	**3**	234	3
	10,871	**100**	9,701	100
Profit before income tax [1]				
Singapore	**3,221**	**54**	2,975	54
Malaysia	**830**	**14**	913	16
Indonesia	**418**	**7**	354	6
Greater China	**1,154**	**19**	1,037	19
Other Asia Pacific	**156**	**3**	158	3
Rest of the World	**165**	**3**	115	2
	5,944	**100**	5,552	100
Total assets				
Singapore	**287,129**	**58**	271,142	58
Malaysia	**65,584**	**13**	66,173	14
Indonesia	**17,900**	**4**	16,481	4
Greater China	**81,684**	**17**	80,917	17
Other Asia Pacific	**16,264**	**3**	14,114	3
Rest of the World	**23,130**	**5**	18,716	4
	491,691	**100**	467,543	100

(1) *Excluding a one-time item.*

The geographical segment analysis is based on the location where assets or transactions are booked. For 2019, Singapore accounted for 60% of total income and 54% of pre-tax profit, while Malaysia contributed 13% of total income and 14% of pre-tax profit. Indonesia accounted for 8% of total income and 7% of pre-tax profit. Greater China made up for 14% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S$3.22 billion in 2019, up 8% from S$2.98 billion a year ago, driven by broad-based income growth. Malaysia's pre-tax profit fell 9% to S$830 million, from S$913 million in 2018, as a result of higher allowances. Indonesia's pre-tax profit of S$418 million in 2019 was higher compared to S$354 million a year ago, mainly attributable to a rise in net interest income and trading income. Pre-tax profit for Greater China rose 11% to S$1.15 billion, from S$1.04 billion in 2018, led by an increase in share of associates' profits and higher interest income.

Capital Adequacy Ratios

The Group remained strongly capitalised. Common Equity Tier 1 capital adequacy ratio (CAR), Tier 1 CAR and Total CAR as at 31 December 2019 were 14.9%, 15.6% and 16.8% respectively, higher than the corresponding ratios of 14.0%, 14.8% and 16.4% a year ago. These ratios were all above their respective regulatory requirements.

Directors' Statement

For the financial year ended 31 December 2019

The directors present this statement to the members of the Bank together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 149 to 278 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, the financial performance and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Bank in office at the date of this statement are as follows:

Ooi Sang Kuang, Chairman
Samuel N. Tsien, Chief Executive Officer
Christina Hon Kwee Fong (Christina Ong)
Chua Kim Chiu
Koh Beng Seng (Appointed on 1 October 2019)
Lee Tih Shih
Pramukti Surjaudaja
Quah Wee Ghee
Tan Ngiap Joo
Tan Yen Yen (Appointed on 1 January 2020)
Wee Joo Yeow

Ooi Sang Kuang, Lee Tih Shih and Wee Joo Yeow will retire by rotation under Article 98 of the Constitution at the forthcoming annual general meeting of the Bank and, being eligible, will offer themselves for re-election thereat.

Koh Beng Seng and Tan Yen Yen will retire under Article 104 of the Constitution at the forthcoming annual general meeting of the Bank and, being eligible, will offer themselves for re-election thereat.

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of, nor at any time during the financial year, was the Bank a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this statement.

Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interests in shares in the Bank and its related corporations, as follows:

	Direct interest		Deemed interest [1]	
	At 31 December 2019	At 1 January 2019/ Date of appointment	At 31 December 2019	At 1 January 2019/ Date of appointment
BANK				
Ordinary shares				
Ooi Sang Kuang	**47,311**	39,122	**–**	–
Samuel N. Tsien	**1,758,786**	1,378,675	**–**	–
Christina Hon Kwee Fong (Christina Ong)	**18,333**	11,484	**–**	–
Chua Kim Chiu	**8,103**	1,727	**–**	–
Koh Beng Seng	**–**	–	**–**	–
Lai Teck Poh [4]	**–**	945,209	**–**	–
Lee Tih Shih	**11,267,591**	10,740,454	**–**	–
Pramukti Surjaudaja	**73,050**	63,671	**–**	–
Quah Wee Ghee	**48,249**	40,016	**632**	601
Tan Ngiap Joo	**1,366,312**	1,325,528	**–**	–
Wee Joo Yeow	**69,000**	59,808	**4,794**	4,794
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**5,725,276** [2]	5,649,371 [3]	**–**	–

(1) *Ordinary shares held by spouse.*
(2) *Comprises: (i) options to acquire 5,034,060 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,283 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 684,933 unvested shares granted under the OCBC Deferred Share Plan.*
(3) *Comprises: (i) options to acquire 5,034,060 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,445 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 608,866 unvested shares granted under the OCBC Deferred Share Plan.*
(4) *Mr Lai Teck Poh resigned from the Board of Directors of the Bank on 1 January 2020.*

Directors' Statement

For the financial year ended 31 December 2019

Directors' Interests in Shares or Debentures (continued)

Save as disclosed above, no director holding office at the end of the financial year had any interest in shares in, or debentures of, the Bank or any of its related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year. There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2020.

Ms Tan Yen Yen, who was appointed as a director of the Bank on 1 January 2020, did not have any interests in the Bank's shares as at 21 January 2020.

Share-Based Compensation Plans

The Bank's share-based compensation plans are administered by the Remuneration Committee, which as at the date of this statement comprises:

Tan Ngiap Joo, Chairman
Christina Hon Kwee Fong (Christina Ong)
Ooi Sang Kuang
Koh Beng Seng
Tan Yen Yen (Appointed on 1 January 2020)
Wee Joo Yeow

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company. The disclosure requirement in Rule 852(1)(c) of the SGX Listing Manual relating to the grant of options to directors and employees of the parent company and its subsidiaries is not applicable to the Bank's share-based compensation plans.

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (2001 Scheme), which was implemented in 2001, was extended for another 10 years from 2011 to 2021, with the approval of shareholders. Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in this scheme. The Bank will either issue new shares or transfer treasury shares to the participants upon the exercise of their options.

Particulars of Options 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2015CT, 2015JL, 2016, 2016A, 2017, 2017SL, 2017DM and 2018 were set out in the Directors' Reports/Directors' Statements for the financial years ended 31 December 2009 to 2018.

No share options were granted under the 2001 Scheme during the financial year.

Share-Based Compensation Plans (continued)

(a) OCBC Share Option Scheme 2001 (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2019 are as follows:

					At 31 December 2019	
Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	Outstanding	Exercisable
2009	17.03.2010 to 15.03.2019	4.024	410,953	410,953	–	–
2010	16.03.2011 to 14.03.2020	8.521	123,220	123,220	535,065	535,065
2011	15.03.2012 to 13.03.2021	9.093	58,793	58,793	799,434	799,434
2012	15.03.2013 to 13.03.2022	8.556	116,881	116,881	1,518,102	1,518,102
2013	15.03.2014 to 13.03.2023	10.018	179,148	179,148	3,931,175	3,931,175
2014	15.03.2015 to 13.03.2024	9.169	155,557	155,557	2,900,104	2,900,104
2015	16.03.2016 to 15.03.2025	10.378	287,955	284,821	4,481,856	4,481,856
2015CT	30.06.2016 to 29.06.2025	10.254	–	–	31,779	31,779
2015JL	16.11.2016 to 15.11.2025	9.030	19,999	19,999	–	–
2016	16.03.2017 to 15.03.2026	8.814	1,055,520	1,049,265	6,382,102	6,382,102
2016A	16.03.2017 to 15.03.2026	8.814	–	–	85,202	85,202
2017	23.03.2018 to 22.03.2027	9.598	731,490	726,652	7,986,369	4,909,134
2017SL	04.08.2018 to 03.08.2027	11.378	–	–	18,943	12,502
2017DM	29.12.2018 to 28.12.2027	12.316	–	–	5,673	3,744
2018	22.03.2019 to 21.03.2028	13.340	2,000	2,000	6,477,931	2,136,241
			3,141,516	3,127,289	35,153,735	27,726,440

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan (ESP Plan), which was implemented in 2004, was extended for another 10 years from 2014 to 2024, with the approval of shareholders. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible to participate in the ESP Plan.

At an extraordinary general meeting held on 17 April 2009, alterations to the ESP Plan were approved to enable two (but not more than two) Offering Periods to be outstanding on any date. Since each Offering Period currently consists of a 24-month period, these alterations will enable the Bank to prescribe Offering Periods once every 12 months (instead of once every 24 months as was previously the case).

In June 2019, the Bank launched its fourteenth offering under the ESP Plan, which commenced on 1 July 2019 and will expire on 30 June 2021. Under the fourteenth offering, 7,210 employees enrolled to participate in the ESP Plan to acquire 8,905,273 ordinary shares at S$11.32 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date. Particulars of the first to thirteenth offerings under the ESP Plan were set out in the Directors' Reports/Directors' Statements for the financial years ended 31 December 2004 to 2018. During the financial year, 5,635,288 ordinary shares were delivered to participants under the ESP Plan. As at the end of the financial year, there were (i) rights to acquire 6,104,232 ordinary shares at S$11.60 per ordinary share granted under the thirteenth offering (which will expire on 30 June 2020) outstanding, and (ii) rights to acquire 8,220,750 ordinary shares at S$11.32 per ordinary share granted under the fourteenth offering (which will expire on 30 June 2021) outstanding. Further details on the ESP Plan can be found in Note 13.3 of the Notes to the Financial Statements.

Directors' Statement

For the financial year ended 31 December 2019

Share-Based Compensation Plans (continued)

(b) OCBC Employee Share Purchase Plan (continued)

Details of options granted under the 2001 Scheme and acquisition rights granted under the ESP Plan to directors of the Bank are as follows:

Name of director	Options/rights granted during the financial year ended 31 December 2019	Aggregate number of options/ rights granted since commencement of scheme/plan to 31 December 2019	Aggregate number of options exercised/rights converted since commencement of scheme/plan to 31 December 2019	Aggregate number of options/rights outstanding at 31 December 2019 [1]
2001 Scheme				
Samuel N. Tsien	–	5,746,795	712,735	5,034,060
ESP Plan				
Samuel N. Tsien	3,180	45,867	31,608 [2]	6,283

(1) These details have already been disclosed in the section on "Directors' interests in shares or debentures" above.
(2) Excludes 4,114 rights and 3,862 rights which were not converted into shares upon expiry of the fifth offering and ninth offering respectively as the average market price at that time was lower than the acquisition price. This was in line with the terms and conditions of the ESP Plan.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2020.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan (DSP) in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee.

Awards over an aggregate of 8,506,920 ordinary shares (including awards over 339,880 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2019. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2018, and interim dividend for the financial year ended 31 December 2019, resulting in an additional 815,643 ordinary shares being subject to awards under the DSP (including an additional 31,681 ordinary shares being subject to awards held by a director of the Bank holding office as at the end of the financial year). During the financial year, 6,430,261 deferred shares were released to grantees, of which 295,494 deferred shares were released to a director of the Bank who held office as at the end of the financial year.

Except as disclosed above, there were no unissued shares of the Bank or its subsidiaries under options granted by the Bank or its subsidiaries as at the end of the financial year.

Audit Committee

The members of the Audit Committee as at the date of this statement are:

Chua Kim Chiu, Chairman
Ooi Sang Kuang (Appointed on 11 December 2019)
Tan Ngiap Joo
Tan Yen Yen (Appointed on 1 January 2020)

The Audit Committee performed the functions specified in the Act, the SGX Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2018. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

(a) response of the Bank's management and the assistance provided by officers of the Bank to the external and internal auditors;
(b) the financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors; and
(c) the independence and objectivity of the external auditors including its tenure.

The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings.

As disclosed in the Directors' Statement for the last financial year, the Audit Committee noted that KPMG LLP have served as the Bank's external auditors since 2006. As part of good corporate governance, the Audit Committee, following a tender process based on an established framework for the selection of external auditors, has nominated PricewaterhouseCoopers LLP for appointment as the external auditors of the Bank in place of the retiring auditors, KPMG LLP, at the forthcoming annual general meeting.

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment at the forthcoming annual general meeting. PricewaterhouseCoopers LLP has expressed its willingness to accept appointment as the auditors.

On behalf of the Board of Directors,

Ooi Sang Kuang
Director

Samuel N. Tsien
Director

Singapore
20 February 2020

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 2019, 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 149 to 278.

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 2019 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 2019, the Group's loans and bills receivable comprised 54% of Total Assets. The Group has developed quantitative models to determine the expected credit loss (ECL) allowances for credit exposures, in accordance with the requirements of SFRS(I) 9 "Financial Instruments". Significant judgement is applied in developing the models and in determining the relevant model inputs and applicable assumptions.	*Non credit-impaired exposures* We tested the design, implementation and operating effectiveness of key controls around the determination of ECL allowances. These controls include: • general IT controls over the ECL system, comprising user access rights and change management controls, as well as IT application controls over the completeness and accuracy of data flows from source systems to the ECL system; • the existence of an independent model validation function; and • the effective monitoring of the macroeconomic variables used in the models and, the review and approval of scenarios and probabilities.

Impairment of Loans and Bills Receivable
(Refer to Notes 9, 26, 28 and 30 to the financial statements) (continued)

The key audit matter	*How the matter was addressed in our audit*
In respect of non credit-impaired exposures, management judgement and estimation 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 across different locations; • selection of criteria to assess whether a credit exposure has exhibited a "significant increase in credit risk" and thus requiring lifetime ECL allowance; and • determination of relevant macroeconomic factors to incorporate into the models and the probability weighting to apply to a range of possible scenarios. In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others: (i) identifying impaired exposures; (ii) estimating the related recoverable cash flows; and (iii) where applicable, determining collateral values and timing of realisation. Geopolitical developments and weak global economic growth in 2019 added complexity to the estimation of ECL allowances. The consequence of these events are difficult to predict and the impact is therefore difficult to model. Given 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.	For a sample of models, we involved our valuation specialists in the: • evaluation of the appropriateness of the PD, LGD and EAD modelling methodology against the requirements of SFRS(I) 9; • review of results of the model performance testing and model validation conducted by the Group's model validation function; • performance of statistical techniques on PD curves to assess the reasonableness of the calibrations; and • in respect of forward looking assumptions, review of the appropriateness of management's macroeconomic forecast assumptions against external sources. We assessed the reasonableness of the criteria used in determining a "significant increase in credit risk". 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 ECL system output. *Credit-impaired exposures* We tested the design, implementation and operating effectiveness of key controls in place over credit grading, credit reviews and monitoring of credit-impaired exposures. In relation to key economic and geopolitical developments, we assessed the Group's response in identifying credit-impaired exposures. For a sample of exposures, we performed credit file reviews to assess the appropriateness of credit grading. We also challenged the Group's assumptions of the expected future cash inflows of the borrowers, 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.

Independent Auditors’ Report

To The Members Of Oversea-Chinese Banking Corporation Limited

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, investment funds and derivative contracts. Of the financial instruments carried at fair value in the Group’s balance sheet as at 31 December 2019, the significant majority is classified 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 Level 3 instruments could involve complex valuation techniques and the application of unobservable inputs, such as projected cash flows, discount rates and measures of volatility. 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 degree of management judgement and inherent subjectivity, increasing the risk of misstatement of the Group’s financial statements.	We obtained an understanding of the key 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 application controls 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. For a sample of valuation models, we assessed the reasonableness of the valuation methodology, and the inputs and assumptions used. We also considered alternative valuation methods and assessed sensitivities to key factors. 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 independently valued a sample of the Group’s financial instruments held at fair value and compared the values to the Group’s valuations. Additionally, we recalculated a sample of valuation adjustments as at year-end. For the 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.

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 through Great Eastern Holdings Limited and its subsidiaries (GEH). GEH’s insurance operations comprise life and general insurance contracts. The valuation of insurance contract liabilities involves significant judgement over uncertain future outcomes, including the timing and occurrence of the ultimate settlement of insurance contract liabilities. 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, investment returns and estimates of mortality, disability, persistency, dread disease, expenses, lapse and surrenders based on GEH’s historical experience studies and publicly available data. The valuation of general insurance contract liabilities is dependent on estimates such as the provision for unexpired risk, ultimate settlement cost of claims reported, and claims incurred but not yet reported at the reporting date. Given that 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 in the following areas: • assessed that GEH’s auditors challenged management’s methodologies and assumptions used in the valuation of insurance contract liabilities and where applicable, benchmarked the assumptions to other similar insurers; • assessed that GEH’s auditors reviewed the assumptions used by management against historical experiences; and • reviewed the appropriateness of the actuarial valuation methodologies, models and assumptions used against regulatory requirements and industry practices. We found 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.

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

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 2019, the Group's balance sheet included goodwill of $4.5 billion arising from a number of business combinations. 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 the application of methodologies and assumptions. The recoverable amount of banking CGUs was determined based on the value-in-use method. In this respect, significant judgement and key assumptions include: • methodology and inputs used to determine the appropriate discount rate; • estimation 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 forecasts for consistency with operating plans, taking into consideration the economic outlook of the respective geography. We also back-tested prior year's forecast against actual performance. We involved our valuation specialists to assess the methodologies applied and assumptions used for deriving: • discount rate by independently estimating the rate using external data sources for risk free rate, beta, market risk premium, country risk premium and small capitalisation premium; and • terminal growth rate by comparing the rate to market data and long-term inflation rate based on the CGU's country of operation. We performed sensitivity analysis on the cash flow forecasts, 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 return rates used in the estimation of appraisal value. We performed sensitivity analysis on the impact of changes in key assumptions on the appraisal value. Based on the procedures performed, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.

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 Year in Review, Sustainability Report, Corporate Governance, Management Discussion and Analysis, Shareholding Statistics, and Five-Year Ordinary Share Capital History (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.

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

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

Public Accountants and
Chartered Accountants

Singapore

20 February 2020

Income Statements

For the financial year ended 31 December 2019

		GROUP		BANK	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income		**12,097,662**	11,049,278	**7,236,104**	6,455,902
Interest expense		**(5,766,417)**	(5,159,168)	**(3,645,551)**	(3,259,426)
Net interest income	3	**6,331,245**	5,890,110	**3,590,553**	3,196,476
Premium income		**10,965,048**	11,673,592	**–**	–
Investment income		**6,911,439**	68,978	**–**	–
Net claims, surrenders and annuities		**(6,404,434)**	(6,265,554)	**–**	–
Change in life insurance fund contract liabilities		**(8,556,660)**	(3,183,414)	**–**	–
Commission and others		**(2,136,095)**	(1,553,920)	**–**	–
Profit from life insurance	4	**779,298**	739,682	**–**	–
Premium income from general insurance		**196,298**	171,545	**–**	–
Fees and commissions (net)	5	**2,122,917**	2,030,927	**1,017,892**	942,760
Dividends	6	**92,111**	127,564	**1,031,804**	1,414,441
Rental income		**80,165**	79,560	**59,855**	53,877
Other income	7	**1,269,133**	661,513	**476,420**	548,706
Non-interest income		**4,539,922**	3,810,791	**2,585,971**	2,959,784
Total income		**10,871,167**	9,700,901	**6,176,524**	6,156,260
Staff costs		**(2,839,922)**	(2,606,231)	**(1,000,534)**	(929,749)
Other operating expenses		**(1,804,280)**	(1,608,034)	**(1,098,761)**	(977,609)
Total operating expenses	8	**(4,644,202)**	(4,214,265)	**(2,099,295)**	(1,907,358)
Operating profit before allowances and amortisation		**6,226,965**	5,486,636	**4,077,229**	4,248,902
Amortisation of intangible assets	37	**(102,819)**	(102,176)	**–**	–
Allowances for loans and other assets	9	**(890,352)**	(287,513)	**(595,623)**	(154,503)
Operating profit after allowances and amortisation		**5,233,794**	5,096,947	**3,481,606**	4,094,399
Share of results of associates, net of tax		**566,625**	455,463	**–**	–
Profit before income tax		**5,800,419**	5,552,410	**3,481,606**	4,094,399
Income tax expense	10	**(778,296)**	(877,184)	**(375,534)**	(417,696)
Profit for the year		**5,022,123**	4,675,226	**3,106,072**	3,676,703
Attributable to:					
Equity holders of the Bank		**4,869,379**	4,491,994		
Non-controlling interests		**152,744**	183,232		
		5,022,123	4,675,226		
Earnings per share ($)	11				
Basic		**1.12**	1.06		
Diluted		**1.12**	1.06		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit for the year	**5,022,123**	4,675,226	**3,106,072**	3,676,703
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Financial assets, at FVOCI [1]				
Fair value gains/(losses) for the year	**983,766**	(288,434)	**246,421**	(62,715)
Reclassification of (gains)/losses to income statement				
– on disposal	**(295,114)**	(11,605)	**(72,617)**	(10,754)
– on impairment	**(5,033)**	(25,926)	**43**	(26,154)
Tax on net movements	**(98,666)**	45,794	**(6,085)**	3,728
Cash flow hedges	**(1,326)**	841	**(383)**	(322)
Currency translation on foreign operations	**(42,691)**	(133,611)	**(16,678)**	(27,380)
Other comprehensive income of associates	**(12,177)**	15,594	**–**	–
Items that will not be reclassified subsequently to income statement:				
Financial assets, at FVOCI [1], net change in fair value	**315,887**	(264,419)	**36,638**	(22,664)
Defined benefit plans remeasurements	**(702)**	5,979	**(83)**	17
Own credit	**767**	(5,570)	**767**	(5,570)
Total other comprehensive income, net of tax	**844,711**	(661,357)	**188,023**	(151,814)
Total comprehensive income for the year, net of tax	**5,866,834**	4,013,869	**3,294,095**	3,524,889
Total comprehensive income attributable to:				
Equity holders of the Bank	**5,646,005**	3,910,373		
Non-controlling interests	**220,829**	103,496		
	5,866,834	4,013,869		

[1] *Fair value through other comprehensive income.*

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

Balance Sheets

As at 31 December 2019

	Note	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**17,261,345**	15,750,417	**17,261,345**	15,750,417
Other equity instruments	14	**1,496,974**	1,496,974	**1,496,974**	1,496,974
Capital reserves	15	**1,253,193**	930,432	**985,705**	638,887
Fair value reserves		**918,667**	(66,541)	**113,692**	(81,047)
Revenue reserves	16	**26,231,721**	24,025,592	**14,142,233**	13,491,053
		47,161,900	42,136,874	**33,999,949**	31,296,284
Non-controlling interests		**1,440,893**	1,254,842	**–**	–
Total equity		**48,602,793**	43,391,716	**33,999,949**	31,296,284
LIABILITIES					
Deposits of non-bank customers	17	**302,851,095**	295,412,049	**189,419,872**	183,600,010
Deposits and balances of banks	17	**8,249,680**	7,576,453	**5,938,069**	6,350,256
Due to subsidiaries		**–**	–	**21,434,654**	20,937,784
Due to associates		**347,232**	366,088	**138,204**	141,863
Trading portfolio liabilities		**91,804**	214,168	**91,804**	214,168
Derivative payables	18	**7,686,885**	7,104,590	**6,743,364**	5,251,769
Other liabilities	19	**6,944,579**	5,812,662	**2,085,870**	1,824,498
Current tax payables		**1,189,227**	1,013,756	**435,193**	367,314
Deferred tax liabilities	20	**1,893,055**	1,451,016	**238,194**	181,343
Debt issued	21	**29,388,263**	30,272,111	**28,225,780**	28,811,694
		358,641,820	349,222,893	**254,751,004**	247,680,699
Life insurance fund liabilities	22	**84,445,914**	74,928,381	**–**	–
Total liabilities		**443,087,734**	424,151,274	**254,751,004**	247,680,699
Total equity and liabilities		**491,690,527**	467,542,990	**288,750,953**	278,976,983
ASSETS					
Cash and placements with central banks	23	**23,201,554**	18,748,084	**17,823,699**	13,740,086
Singapore government treasury bills and securities	24	**11,042,814**	9,610,553	**9,891,733**	8,972,764
Other government treasury bills and securities	24	**17,619,964**	18,165,395	**7,644,251**	8,259,151
Placements with and loans to banks	25	**35,812,651**	39,034,945	**28,056,142**	29,063,987
Loans and bills receivable	26	**262,044,957**	255,193,115	**164,563,925**	156,896,636
Debt and equity securities	29	**28,533,166**	25,542,507	**14,209,744**	11,972,610
Assets pledged	46.1	**1,165,727**	1,104,573	**122,458**	1,007,348
Assets held for sale	47	**2,811**	1,831	**1,669**	–
Derivative receivables	18	**7,349,317**	7,200,942	**6,323,779**	5,331,188
Other assets	31	**4,408,876**	3,475,256	**2,442,577**	1,657,504
Deferred tax assets	20	**86,669**	105,512	**20,949**	28,305
Associates	33	**3,637,756**	3,182,814	**1,460,396**	1,386,715
Subsidiaries	34	**–**	–	**33,159,013**	37,691,985
Property, plant and equipment	35	**3,628,316**	3,337,436	**683,792**	576,943
Investment property	36	**838,798**	880,488	**479,650**	524,585
Goodwill and intangible assets	37	**4,979,899**	5,092,538	**1,867,176**	1,867,176
		404,353,275	390,675,989	**288,750,953**	278,976,983
Life insurance fund investment assets	22	**87,337,252**	76,867,001	**–**	–
Total assets		**491,690,527**	467,542,990	**288,750,953**	278,976,983

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

Statement of Changes in Equity – Group

For the financial year ended 31 December 2019

In $'000	Share capital and other equity	Capital reserves (1)	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2019	17,247,391	930,432	(66,541)	24,025,592	42,136,874	1,254,842	43,391,716
Total comprehensive income for the year							
Profit for the year	–	–	–	4,869,379	4,869,379	152,744	5,022,123
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value gains for the year	–	–	913,835	–	913,835	69,931	983,766
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(276,136)	–	(276,136)	(18,978)	(295,114)
– on impairment	–	–	(4,654)	–	(4,654)	(379)	(5,033)
Tax on net movements	–	–	(89,539)	–	(89,539)	(9,127)	(98,666)
Cash flow hedges	–	–	–	(1,326)	(1,326)	–	(1,326)
Currency translation on foreign operations	–	–	–	(52,013)	(52,013)	9,322	(42,691)
Other comprehensive income of associates	–	–	65,517	(77,694)	(12,177)	–	(12,177)
Items that will not be reclassified subsequently to income statement:							
Financial assets, at FVOCI, net change in fair value	–	–	376,185	(77,607)	298,578	17,309	315,887
Defined benefit plans remeasurements	–	–	–	(709)	(709)	7	(702)
Own credit	–	–	–	767	767	–	767
Total other comprehensive income, net of tax	–	–	985,208	(208,582)	776,626	68,085	844,711
Total comprehensive income for the year	–	–	985,208	4,660,797	5,646,005	220,829	5,866,834
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	8,319	337,102	–	(345,421)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	2,033	2,033
Buy-back of shares held as treasury shares	(191,348)	–	–	–	(191,348)	–	(191,348)
Dividends and distributions	–	–	–	(601,793)	(601,793)	(34,385)	(636,178)
DSP reserve from dividends on unvested shares	–	–	–	8,342	8,342	–	8,342
Share-based payments for staff costs	–	15,138	–	–	15,138	–	15,138
Shares issued in lieu of ordinary dividends	1,514,726	–	–	(1,514,726)	–	–	–
Shares issued to non-executive directors	654	–	–	–	654	–	654
Shares transferred to DSP Trust	–	(8,340)	–	–	(8,340)	–	(8,340)
Shares vested under DSP Scheme	–	69,912	–	–	69,912	–	69,912
Treasury shares transferred/sold	178,577	(91,051)	–	–	87,526	–	87,526
Total contributions by and distributions to owners	1,510,928	322,761	–	(2,453,598)	(619,909)	(32,352)	(652,261)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1,070)	(1,070)	(2,426)	(3,496)
Total changes in interests in subsidiaries	–	–	–	(1,070)	(1,070)	(2,426)	(3,496)
Balance at 31 December 2019	18,758,319	1,253,193	918,667	26,231,721	47,161,900	1,440,893	48,602,793
Included in the balances:							
Share of reserves of associates	–	–	91,039	1,561,409	1,652,448	–	1,652,448

(1) *Including regulatory loss allowance reserve of $534 million at 1 January 2019 and $876 million at 31 December 2019.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

In $'000	Share capital and other equity	Capital reserves (1)	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2018	15,635,490	361,443	352,071	22,679,463	39,028,467	2,765,500	41,793,967
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	–	353,667	(100,455)	(13,643)	239,569	69	239,638
Adjusted balance at 1 January 2018	15,635,490	715,110	251,616	22,665,820	39,268,036	2,765,569	42,033,605
Total comprehensive income for the year							
Profit for the year	–	–	–	4,491,994	4,491,994	183,232	4,675,226
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value losses for the year	–	–	(252,988)	–	(252,988)	(35,446)	(288,434)
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(12,221)	–	(12,221)	616	(11,605)
– on impairment	–	–	(25,422)	–	(25,422)	(504)	(25,926)
Tax on net movements	–	–	39,696	–	39,696	6,098	45,794
Cash flow hedges	–	–	–	841	841	–	841
Currency translation on foreign operations	–	–	–	(116,841)	(116,841)	(16,770)	(133,611)
Other comprehensive income of associates	–	–	100,262	(84,668)	15,594	–	15,594
Items that will not be reclassified subsequently to income statement:							
Financial assets, at FVOCI, net change in fair value	–	–	(188,207)	(41,599)	(229,806)	(34,613)	(264,419)
Defined benefit plans remeasurements	–	–	–	5,096	5,096	883	5,979
Own credit	–	–	–	(5,570)	(5,570)	–	(5,570)
Total other comprehensive income, net of tax	–	–	(338,880)	(242,741)	(581,621)	(79,736)	(661,357)
Total comprehensive income for the year	–	–	(338,880)	4,249,253	3,910,373	103,496	4,013,869
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	13,599	208,511	–	(222,110)	–	–	–
Buy-back of shares held as treasury shares	(214,693)	–	–	–	(214,693)	–	(214,693)
Dividends and distributions	–	–	–	(1,014,834)	(1,014,834)	(116,632)	(1,131,466)
DSP reserve from dividends on unvested shares	–	–	–	6,611	6,611	–	6,611
Perpetual capital securities issued	997,831	–	–	–	997,831	–	997,831
Redemption of preference shares issued	–	–	–	(1,000,000)	(1,000,000)	(1,500,000)	(2,500,000)
Share-based payments for staff costs	–	19,883	–	–	19,883	–	19,883
Shares issued in lieu of ordinary dividends	637,929	–	–	(637,929)	–	–	–
Shares issued to non-executive directors	735	–	–	–	735	–	735
Shares transferred to DSP Trust	–	(6,124)	–	–	(6,124)	–	(6,124)
Shares vested under DSP Scheme	–	62,976	–	–	62,976	–	62,976
Treasury shares transferred/sold	176,500	(69,924)	–	–	106,576	–	106,576
Others	–	–	20,723	(23,991)	(3,268)	2,855	(413)
Total contributions by and distributions to owners	1,611,901	215,322	20,723	(2,892,253)	(1,044,307)	(1,613,777)	(2,658,084)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	2,772	2,772	(446)	2,326
Total changes in interests in subsidiaries	–	–	–	2,772	2,772	(446)	2,326
Balance at 31 December 2018	17,247,391	930,432	(66,541)	24,025,592	42,136,874	1,254,842	43,391,716
Included in the balances:							
Share of reserves of associates	–	–	25,522	1,166,869	1,192,391	–	1,192,391

(1) *Including regulatory loss allowance reserve of $342 million at 1 January 2018 and $534 million at 31 December 2018.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

Statement of Changes in Equity – Bank

For the financial year ended 31 December 2019

In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2019	**17,247,391**	**638,887**	**(81,047)**	**13,491,053**	**31,296,284**
Profit for the year	**–**	**–**	**–**	**3,106,072**	**3,106,072**
Other comprehensive income	**–**	**–**	**194,739**	**(6,716)**	**188,023**
Total comprehensive income for the year [2]	**–**	**–**	**194,739**	**3,099,356**	**3,294,095**
Transfers	**8,319**	**331,680**	**–**	**(339,999)**	**–**
Buy-back of shares held as treasury shares	**(191,348)**	**–**	**–**	**–**	**(191,348)**
Dividends and distributions	**–**	**–**	**–**	**(601,793)**	**(601,793)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**8,342**	**8,342**
Share-based payments for staff costs	**–**	**15,138**	**–**	**–**	**15,138**
Shares issued in lieu of ordinary dividends	**1,514,726**	**–**	**–**	**(1,514,726)**	**–**
Shares issued to non-executive directors	**654**	**–**	**–**	**–**	**654**
Treasury shares transferred/sold	**178,577**	**–**	**–**	**–**	**178,577**
Balance at 31 December 2019	**18,758,319**	**985,705**	**113,692**	**14,142,233**	**33,999,949**
Balance at 1 January 2018	15,635,490	98,794	11,536	13,016,975	28,762,795
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	–	122,855	28,329	(114,617)	36,567
Adjusted balance at 1 January 2018	15,635,490	221,649	39,865	12,902,358	28,799,362
Profit for the year	–	–	–	3,676,703	3,676,703
Other comprehensive income	–	–	(120,912)	(30,902)	(151,814)
Total comprehensive income for the year [2]	–	–	(120,912)	3,645,801	3,524,889
Transfers	13,599	397,355	–	(410,954)	–
Buy-back of shares held as treasury shares	(214,693)	–	–	–	(214,693)
Dividends and distribution	–	–	–	(1,014,834)	(1,014,834)
DSP reserve from dividends on unvested shares	–	–	–	6,611	6,611
Perpetual capital securities issued	997,831	–	–	–	997,831
Redemption of preference shares issued	–	–	–	(1,000,000)	(1,000,000)
Share-based payments for staff costs	–	19,883	–	–	19,883
Shares issued in lieu of ordinary dividends	637,929	–	–	(637,929)	–
Shares issued to non-executive directors	735	–	–	–	735
Treasury shares transferred/sold	176,500	–	–	–	176,500
Balance at 31 December 2018	17,247,391	638,887	(81,047)	13,491,053	31,296,284

(1) *Including regulatory loss allowance reserve of $534 million at 1 January 2019 (1 January 2018: $123 million) and $874 million at 31 December 2019 (31 December 2018: $534 million).*
(2) *Refer to Statements of Comprehensive Income for detailed breakdown.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

In $'000	2019	2018
Cash flows from operating activities		
Profit before income tax	**5,800,419**	5,552,410
Adjustments for non-cash items:		
Allowances for loans and other assets	**890,352**	287,513
Amortisation of intangible assets	**102,819**	102,176
Change in hedging transactions, fair value through profit or loss securities and debt issued	**(226,017)**	392,087
Depreciation of property and equipment and interest expense on lease liabilities	**401,940**	316,644
Net gain on disposal of government, debt and equity securities	**(171,541)**	(16,256)
Net gain on disposal of property and equipment	**(81,989)**	(45,791)
Net gain on disposal of interests in subsidiaries and associate	**(757)**	(7,982)
Share-based costs	**69,345**	65,802
Share of results of associates, net of tax	**(566,625)**	(455,463)
Items relating to life insurance fund		
Surplus before income tax	**854,256**	790,605
Surplus transferred from life insurance fund	**(779,298)**	(739,682)
Operating profit before change in operating assets and liabilities	**6,292,904**	6,242,063
Change in operating assets and liabilities:		
Deposits of non-bank customers	**7,419,962**	11,915,531
Deposits and balances of banks	**673,227**	91,025
Derivative payables and other liabilities	**1,066,477**	453,624
Trading portfolio liabilities	**(122,364)**	(407,363)
Restricted balances with central banks	**222,263**	394,947
Government securities and treasury bills	**(741,945)**	(344,692)
Fair value through profit or loss securities	**(486,773)**	586,621
Placements with and loans to banks	**3,295,963**	10,411,652
Loans and bills receivable	**(7,742,925)**	(20,807,039)
Derivative receivables and other assets	**(1,402,410)**	(1,161,136)
Net change in investment assets and liabilities of life insurance fund	**463,653**	448,747
Cash provided by operating activities	**8,938,032**	7,823,980
Income tax paid	**(753,943)**	(1,084,642)
Net cash provided by operating activities	**8,184,089**	6,739,338
Cash flows from investing activities		
Acquisitions, net of cash acquired (Note 34.3)	**16,445**	–
Dividends from associates	**22,586**	88,491
Investments in associates	**–**	(88,586)
Purchases of debt and equity securities	**(14,878,177)**	(13,970,842)
Purchases of property and equipment	**(368,271)**	(297,197)
Proceeds from disposal of debt and equity securities	**13,315,752**	11,941,263
Proceeds from disposal of interests in associates	**–**	8,744
Proceeds from disposal of property and equipment	**127,546**	59,741
Net cash used in investing activities	**(1,764,119)**	(2,258,386)
Cash flows from financing activities		
Acquisition of non-controlling interests	**(3,496)**	(50)
Buy-back of shares held as treasury shares	**(191,348)**	(214,693)
Dividends and distributions paid	**(636,178)**	(1,134,534)
Net issuance/(redemption) of other debt issued (Note 21.6)	**695,909**	(634,574)
Net proceeds from perpetual capital securities issued	**–**	997,831
Payment of lease liabilities	**(81,296)**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**87,526**	106,576
Redemption of preference shares issued	**–**	(2,500,000)
Redemption of subordinated debt issued (Note 21.6)	**(1,503,534)**	(1,314,217)
Net cash used in financing activities	**(1,632,417)**	(4,693,661)
Net currency translation adjustments	**(113,368)**	(236,367)
Net change in cash and cash equivalents	**4,674,185**	(449,076)
Cash and cash equivalents at 1 January	**13,385,521**	13,834,597
Cash and cash equivalents at 31 December (Note 23)	**18,059,706**	13,385,521

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 20 February 2020.

1. General

Oversea-Chinese Banking Corporation Limited (the Bank) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates. The Group is principally engaged in the business of banking, life insurance, general insurance, asset management, investment holding, futures and stockbroking.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) as required by the Singapore Companies Act (the Act).

The financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.24.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2019:

SFRS(I)	Title
SFRS(I) 3, SFRS(I) 11 (Amendments)	*Previously Held Interest in a Joint Operation*
SFRS(I) 9 (Amendments)	*Prepayment Features with Negative Compensation*
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 (Amendments)	*Interest Rate Benchmark Reform*
SFRS(I) 16	*Leases*
SFRS(I) 1-12 (Amendments)	*Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
SFRS(I) 1-19 (Amendments)	*Plan Amendment, Curtailment or Settlement*
SFRS(I) 1-23 (Amendments)	*Borrowing Costs Eligible for Capitalisation*
SFRS(I) 1-28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*

Except for the effect of adopting SFRS(I) 16, as disclosed in Note 2.1.1, the initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by Group entities.

2.1.1 Adoption of New Accounting Standard SFRS(I) 16 *Leases*

The date of transition to SFRS(I) 16 was 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16, was recognised as an adjustment to the opening balance of revenue reserves at 1 January 2019, with no restatement of comparative information. The Group applied the practical expedient to retain the old definition of a lease for contracts entered into before 1 January 2019. This means that the Group has applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified these contracts as leases in accordance with SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

On transition to SFRS(I) 16, the Group and the Bank recognised additional right-of-use (ROU) assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019	
$ million	GROUP	BANK
Lease liabilities recognised	**191**	**59**
PPE - ROU assets	**207**	**61**

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:
– did not recognise ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise ROU assets and liabilities for leases of low-value assets;
– excluded initial direct costs from the measurement of the ROU asset at the date of initial application;
– used hindsight when determining the lease term; and
– used a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

2.1.2 Early Adoption of Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 *Interest Rate Benchmark Reform*

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income (OCI) that existed at 1 January 2019. The details of the accounting policies are disclosed in Note 2.7. See also Note 18 for related disclosures about hedge accounting.

2.2 Basis of Consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group controls when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases. The Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect its returns.

In preparing the consolidated financial statements, intra-group transactions and balances, together with unrealised income and expenses arising from the intra-group transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests (NCI) represent the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Bank, and are presented separately from equity attributable to equity holders of the Bank. For NCI that arise through minority unit holders' interest in the insurance subsidiaries of GEH consolidated investment funds, they are recognised as a liability. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the income statement as expenses.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date of acquisition on an acquisition-by-acquisition basis.

The excess of the fair value of consideration transferred, the recognised amount of any NCI in the acquiree and the acquisition-date fair values of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

2.2.2 Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control and is generally established for a narrow and well-defined objective.

For the purpose of disclosure, the Group would be considered to sponsor a structured entity if it has a key role in establishing the structured entity or its name appears in the overall structure of the structured entity.

2.2.3 Associates and Joint Ventures

Associates are entities over which the Bank has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Joint ventures are arrangements to undertake economic activities in which the Group has joint control and rights to the net assets of the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under equity accounting, the investment is initially recognised at cost, and the carrying amount is adjusted for post-acquisition changes of the Group's share of the net assets of the entity until the date the significant influence or joint control ceases. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, where applicable. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.3 Associates and Joint Ventures (continued)

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control over the investee. Amounts previously recognised in OCI in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

2.2.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life insurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the life insurance funds. The amount allocated to shareholders is reported as "Profit from life insurance" in the consolidated income statement.

2.2.5 Accounting for Subsidiaries and Associates by the Bank

Investments in subsidiaries and associates are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

2.3 Currency Translation

2.3.1 Foreign Currency Transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as fair value through other comprehensive income (FVOCI) financial assets are recognised in OCI and presented in the fair value reserve within equity.

2.3.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, are translated to Singapore Dollar at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions.

Differences arising from the translation of a foreign operation are recognised in OCI and presented in the currency translation reserve within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

2.4 Cash and Cash Equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances, money market placements and reverse repo transactions with central banks which are generally short-term financial instruments or repayable on demand.

2.5 Financial Instruments

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All other financial instruments, including regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention, are recognised on the settlement date.

2.5.2 De-Recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of ownership of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2. Summary of Significant Accounting Policies (continued)

2.5 Financial Instruments (continued)

2.5.3 Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

2.5.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

2.5.5 Sale and Repurchase Agreements (Including Securities Lending and Borrowing)

Repurchase agreements (repos) are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

Securities lending and borrowing transactions are generally secured, with collaterals taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral advanced or received is recorded as an asset or a liability respectively.

2.6 Non-Derivative Financial Assets

Classification and Measurement of Financial Assets

A non-derivative financial asset is initially recognised at fair value plus transaction costs (if any) and is measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

(a) Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated or managed on a fair value basis are measured at FVTPL because they are neither within the business model to hold to collect contractual cash flows, nor within the business model to hold both to collect contractual cash flows and to sell financial assets.

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

2.6.1 Debt Instruments Measured at Amortised Cost

A debt financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as amortised cost are subject to the expected credit loss requirements in accordance with SFRS(I) 9 *Financial Instruments*. Interest earned whilst holding the financial assets is included in interest income.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.6 Non-Derivative Financial Assets (continued)

Classification and Measurement of Financial Assets (continued)

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (continued)

2.6.2 Debt Instruments Measured at FVOCI

A debt financial instrument is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVOCI are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

At the balance sheet date, the Group recognises unrealised fair value gains and losses on revaluing these assets in OCI and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to income statement.

2.6.3 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the balance sheet date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets are included in interest income.

2.6.4 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL notwithstanding that it would otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each balance sheet date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

2.6.5 Equity Instruments

Equity instruments held for trading are classified as FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the balance sheet date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVOCI are recognised in OCI and are never reclassified to the income statement.

Dividend earned whilst holding the equity instruments classified as FVTPL is recognised as dividend income in the income statement. Dividend from equity instruments classified as FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

2.6.6 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing its financial assets.

2.7 Derivative Financial Instruments

All derivative financial instruments are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable. Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. An embedded derivative is not separated from the host contract that is a financial asset. However, it is separated from the host contract that is a financial liability or a non-financial item for grouping with other stand-alone financial derivatives.

The Group enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting. For derivative transactions entered into for trading or any other purposes, the realised and unrealised gains and losses from subsequent measurements are recognised in profit or loss.

Before the Group applies any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the hedged item and hedging instrument respond similarly to similar risks. For all hedge accounting of the Group, where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedging instrument to the extent of its hedged item.

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments (continued)

In a fair value hedging relationship, the Group mainly uses interest rate swaps and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying amount of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

The risk exposure for cash flow hedge is managed similarly to that for fair value hedges. In a cash flow hedge relationship, the Group mainly uses interest rate swaps to hedge the variability in the cash flows that is related to a variable or fixed rate asset or liability resulting from changes in interest rates. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is recognised in the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve remain in equity until the hedged cash flows is recognised in the income statement. When the hedged cash flows are no longer expected to occur, the cumulative gain or loss in the hedge reserve is immediately transferred to the income statement.

“Hedge ineffectiveness” represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect relationship or matching between the hedging instrument and the risk being hedged as well as the effect of credit risk existing in the hedging instrument.

The hedged risk in the Group’s net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank’s functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. For hedges of net investments in foreign operations which are accounted in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations. The source of ineffectiveness for the Group’s net investment hedge is the use of a hedging instrument denominated in a proxy currency that is not perfectly correlated to the actual currency to which the Group is exposed.

The Group early adopted the amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform* issued in December 2019 as part of its project on interest rate benchmark reform. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not altered as a result of Interbank Offered Rates (IBOR) reform. The Group will cease to apply the amendments to its retrospective and prospective effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

2.8 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	–	5 to 10 years
Office equipment	–	5 to 10 years
Computers	–	3 to 10 years
Renovation	–	3 to 5 years
Motor vehicles	–	5 years

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.8 Property, Plant and Equipment (continued)

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

2.9 Investment Property

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group's life insurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

Investment property held under the Group's life insurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance fund.

2.10 Goodwill and Intangible Assets

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest over the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

2.10.2 Intangible Assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The estimated useful lives range from 6 to 20 years. The useful life of an intangible asset is reviewed at least at each financial year end.

2.11 Non-Current Assets Held for Sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of Assets

(I) Financial Assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss (ECL) model in accordance with the requirements of SFRS(I) 9.

2.12.1 Scope

Under SFRS(I) 9, except for equity investments, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and most off-balance sheet loan commitments and financial guarantees.

2.12.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months.
- Stage 2 – Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

2.12.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

(a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
(b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
(c) undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
(d) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.3 Measurement (continued)

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate of the likelihood of default over a given time horizon
- Exposure at default (EAD) – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities
- Loss given default (LGD) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans and bills receivable that are collectively assessed are grouped on the basis of shared credit risk characteristics such as account loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 year periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

2.12.4 Movement Between Stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with SFRS(I) 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where the credit loss allowance will be measured using lifetime ECL.

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

(a) The Group has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
(b) The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
(c) The Group uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment.

The assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.4 Movement Between Stages (continued)

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at time of the modification.

2.12.5 Regulatory Framework

Under MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (MRLA) of 1% of the gross carrying amount of selected credit exposures, net of collateral. Where the accounting loss allowance of selected non credit-impaired exposures computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves to meet the minimum 1% amount. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

(II) Other Assets

2.12.6 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units (CGU) expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its fair value less cost to sell and its value in use. Impairment loss on goodwill cannot be reversed in subsequent periods.

2.12.7 Investments in Subsidiaries and Associates Property, Plant and Equipment Investment Property Intangible Assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on the balance sheet date or whenever there is any indication that the carrying amount of an asset may not be recoverable. If such an indication exists, the carrying amount of the asset is written down to its recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use).

The impairment loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.13 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criterion for financial assets has been met.

2.14 Financial Liabilities

A non-derivative financial liability is initially recognised at fair value less transaction costs and is subsequently measured at amortised cost using the effective interest method except where it is designated as FVTPL.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are recognised in the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. Financial liabilities are held at fair value through profit or loss when:

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(b) the fair value option designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or
(c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

2.15 Provisions and Other Liabilities

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective agent's agreement. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

2. Summary of Significant Accounting Policies (continued)

2.15 Provisions and Other Liabilities (continued)

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 Insurance Contracts

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of GEH, has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

For the purpose of SFRS(I) 4 *Insurance Contracts*, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily GEH and its subsidiaries (GEH Group), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life insurance contract liabilities, comprising
  – Participating Fund contract liabilities;
  – Non-participating Fund contract liabilities; and
  – Investment-linked Fund contract liabilities.
(b) Non-life insurance contract liabilities
(c) Reinsurance contracts

Life Insurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance funds.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment-linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund). Parameters for the valuation are set out in the insurance regulations governing the Group's insurance subsidiaries in the respective jurisdictions in which they operate. The provisions in the Articles of Association of the Group's insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholders' bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the board of directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary, in accordance with the insurance regulations and the Articles of Association of the respective subsidiaries.

The valuation of insurance contract liabilities is determined according to:
(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore (MAS Regulations); and
(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying amount of the liability. Any deficiency is charged to the income statement.

The Group issues investment-linked contracts as insurance contracts which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment-linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract, it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies in accordance with the terms and conditions of the insurance contracts.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	Singapore	**Malaysia**
Valuation method [1]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cash flows discounted using the interest rate outlined under 'Interest rate' item (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities (MGS) zero coupon spot yields (as outlined below).
Interest rate [1]	(i) Singapore Government Securities (SGS) zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate (LTRFDR) for cash flows between 15 and 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For Universal Life policies denominated in US Dollar: a) Observable market yields of US Treasury Yield Curve Rates for cash flows up to year 30; b) Ultimate forward rate (UFR) of 3.5% applicable for cash flows beyond 60 years; and c) Extrapolated yields in between. *Data source: Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (iii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation (PAD). *Data source: Internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation (PRAD). *Data source: Internal experience studies*

[1] *Refer to Note 2.24 on Critical Accounting Estimates and Judgements.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Non-Life Insurance Contract Liabilities

The Group issues short term property and casualty contracts which protect the policyholders against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contracts. The Group also issues short term medical and personal accident non-life insurance contracts.

Non-life insurance contract liabilities include premium liabilities and claim liabilities.

Claim Liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The valuation of non-life insurance claim liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. The provision for adverse deviation is set at 75% level of sufficiency for Singapore, Malaysia and Indonesia. The valuation methods used include the Paid and Incurred Loss Development methods (also known as the Link Ratio methods), the Paid and Incurred Bornhuetter-Ferguson methods and the Expected Loss Ratio Method. For Singapore and Malaysia, the claim liabilities are not discounted for the time value of money. However, for Indonesia, the claim liabilities are discounted for the time value of money as per preacquisition practice. Discounting is expected to be applied consistently in line with the implementation of SFRS(I) 17. No provision for equalisation or catastrophe reserves is recognised.

Premium Liabilities

Premium liabilities are the provision of unearned premiums representing premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income. Further provisions are made if expected future cash flow of unexpired insurance contracts exceed the unearned premiums of these contracts.

Reinsurance Contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.17 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Treasury shares which are subsequently reissued, sold or cancelled, are recognised as changes in equity.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the year in which they are declared payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by shareholders at the annual general meeting.

2. Summary of Significant Accounting Policies (continued)

2.18 Leases

Policy Applicable Before 1 January 2019

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The expense is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Policy Applicable From 1 January 2019

2.18.1 As Lessee

At the inception of a contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group recognises a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

ROU assets are presented within "Property, plant and equipment".

Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short Term Leases and Low-Value Assets

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.18.2 As Lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same as that under SFRS(I) 16.

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.19 Recognition of Income and Expense

2.19.1 Interest Income and Expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.19.2 Premiums and Commissions from Insurance Business

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful non-participating products are recognised as revenue when payment is received.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the movement in premium liabilities. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.19 Recognition of Income and Expense (continued)

2.19.2 Premiums and Commissions from Insurance Business (continued)

Non-Life Insurance Business (continued)

Premiums ceded out and the corresponding commission income from non-life insurance contracts are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods after the balance sheet date are adjusted through the movement in unexpired risk reserve.

2.19.3 Fees and Commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period.

Expenses are offset against gross fees and commissions in the income statement only when they are directly related.

2.19.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

2.19.5 Employee Benefits

The Group's compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, defined benefit plans, commissions, cash bonuses, and share-based compensation plans. These are recognised in the income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on the balance sheet date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in OCI in the period in which they arise.

Share-based compensation plans include the Bank's Share Option Schemes, the Employee Share Purchase Plan (ESP Plan) and the Deferred Share Plan (DSP). Equity instruments granted are recognised as expense in the income statement based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to equity.

At each balance sheet date, the Group revises its estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The Group accrues for interest on the monthly contributions made by employees to the savings-based ESP Plan. For the DSP, a trust is set up to administer the shares. The DSP Trust is consolidated in the Group's financial statements.

Proceeds received upon the exercise of options and acquisition rights, net of any directly attributable transaction costs, are credited to share capital.

2.20 Income Tax Expense

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation against the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

2. Summary of Significant Accounting Policies (continued)

2.20 Income Tax Expense (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.21 Fiduciary Activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

2.22 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.23 Segment Reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and OCBC Wing Hang. All operating segments' results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

2.24 Critical Accounting Estimates and Judgements

Certain estimates are made in the preparation of the financial statements. These often require management judgement in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

2.24.1 Impairment of Financial Assets

In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. ECL estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default, loss given default and exposure at default. These are parameters derived from internal rating models adjusted by forward-looking information. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Given that SFRS(I) 9 requirements are relatively recent, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement.

2.24.2 Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is amortised over the life of the transaction, released when the instrument's fair value can be determined using market observable inputs, or when the transaction is derecognised.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.24 Critical Accounting Estimates and Judgements (continued)

2.24.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life insurance contracts is one of the Group's critical accounting estimates. 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.

Life Insurance Contracts

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

Non-Life Insurance Contracts

For non-life insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR).

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the insurance subsidiaries' balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

2.24.4 Impairment of Goodwill and Intangible Assets

The Group performs an annual review of the carrying amount of its goodwill and intangible assets, against the recoverable amounts of the CGU to which the goodwill and intangible assets have been allocated. Recoverable amounts of banking CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. The recoverable amount of insurance CGU is determined using the appraisal value method. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

2.24.5 Income Taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses in estimating the income tax liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which the determination is made.

2.24.6 Insurance Contract Classification

Contracts are classified as insurance contracts where significant insurance risk is transferred from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether upon the occurrence of the insured event, the Group is required to pay significant additional benefits. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

3. Net Interest Income

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income				
Loans to non-bank customers	**9,086,228**	8,195,095	**5,119,462**	4,418,527
Placements with and loans to banks	**1,503,052**	1,558,672	**1,441,122**	1,416,910
Other interest-earning assets	**1,508,382**	1,295,511	**675,520**	620,465
	12,097,662	11,049,278	**7,236,104**	6,455,902
Interest expense				
Deposits of non-bank customers	**(4,807,024)**	(4,169,140)	**(2,495,744)**	(2,123,358)
Deposits and balances of banks	**(191,633)**	(182,513)	**(452,819)**	(346,835)
Other borrowings	**(767,760)**	(807,515)	**(696,988)**	(789,233)
	(5,766,417)	(5,159,168)	**(3,645,551)**	(3,259,426)
Analysed by classification of financial instruments				
Income – Assets at amortised cost	**10,175,178**	9,241,688	**6,280,114**	5,562,889
Income – Assets at FVOCI	**1,528,131**	1,424,795	**662,277**	593,696
Income – Assets mandatorily measured at FVTPL	**394,353**	382,795	**293,713**	299,317
Expense – Liabilities not at fair value through profit or loss	**(5,760,556)**	(5,139,107)	**(3,639,742)**	(3,239,445)
Expense – Liabilities mandatorily measured at FVTPL	**(5,861)**	(20,061)	**(5,809)**	(19,981)
Net interest income	**6,331,245**	5,890,110	**3,590,553**	3,196,476

Included in interest income were interest of $53.3 million (2018: $33.7 million) and $45.7 million (2018: $25.7 million) on impaired assets for the Group and Bank respectively.

The Group's and Bank's interest expenses on lease liabilities were not significant for the financial year ended 31 December 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2019

4. Profit from Life Insurance

	GROUP 2019 $ million	GROUP 2018 $ million
Income		
Annual	**7,372.0**	6,720.5
Single	**4,041.1**	5,220.9
Gross premiums	**11,413.1**	11,941.4
Reinsurance	**(448.0)**	(267.8)
Premium income (net)	**10,965.1**	11,673.6
Investment income (net)	**6,911.4**	69.0
Total income	**17,876.5**	11,742.6
Expenses		
Gross claims, surrenders and annuities	**(6,636.5)**	(6,430.5)
Claims, surrenders and annuities recovered from reinsurers	**232.1**	164.9
Net claims, surrenders and annuities	**(6,404.4)**	(6,265.6)
Change in life insurance contract liabilities (Note 22)	**(8,556.7)**	(3,183.4)
Commission and agency expenses	**(1,061.8)**	(957.1)
Depreciation – property, plant and equipment (Note 35)	**(65.1)**	(50.7)
Other expenses	**(934.0)**	(494.7)
Total expenses	**(17,022.0)**	(10,951.5)
Surplus from operations	**854.5**	791.1
Share of results of associates	**(0.3)**	(0.5)
Income tax expense	**(74.9)**	(50.9)
Profit from life insurance	**779.3**	739.7

Profit from life insurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

5. Fees and Commissions (Net)

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Gross fee and commission income				
Brokerage	**81,852**	104,654	**876**	296
Credit card	**347,880**	350,755	**297,525**	275,413
Fund management	**114,729**	113,026	**985**	41
Guarantees	**16,380**	17,664	**6,879**	9,415
Investment banking	**105,624**	102,010	**89,638**	84,978
Loan-related	**307,158**	300,425	**230,897**	224,462
Service charges	**99,148**	100,154	**73,545**	78,312
Trade-related and remittances	**254,111**	238,778	**179,621**	171,209
Wealth management	**1,035,823**	958,453	**291,722**	236,213
Others	**44,274**	40,541	**6,920**	5,026
	2,406,979	2,326,460	**1,178,608**	1,085,365
Fee and commission expense	**(284,062)**	(295,533)	**(160,716)**	(142,605)
Fees and commissions (net)	**2,122,917**	2,030,927	**1,017,892**	942,760

6. Dividends

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Subsidiaries	**–**	–	**913,982**	1,369,198
Associates	**–**	–	**86,235**	25,317
FVTPL securities	**49,362**	39,114	**29,139**	18,477
FVOCI securities	**42,749**	88,450	**2,448**	1,449
	92,111	127,564	**1,031,804**	1,414,441

7. Other Income

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Foreign exchange [1]	**463,412**	542,933	**123,140**	193,557
Hedging activities [2]				
Hedging instruments	**(92,729)**	(194,394)	**(45,525)**	(185,547)
Hedged items	**95,239**	193,259	**47,578**	183,933
Net gain/(loss) from fair value hedge ineffectiveness	**2,510**	(1,135)	**2,053**	(1,614)
Net gain/(loss) from interest rate and other derivative financial instruments [3]	**(82,664)**	299,022	**(126,995)**	249,944
Net gain/(loss) from non-derivative financial instruments [4]	**591,807**	(333,391)	**290,315**	(243,573)
Others	**1,502**	277	**910**	31
Net trading income	**976,567**	507,706	**289,423**	198,345
Disposal of debt securities classified as FVOCI	**171,541**	16,256	**72,617**	10,754
Disposal of interests in subsidiaries and associate	**757**	7,982	**6,566**	262,338
Disposal of plant and equipment	**(680)**	(817)	**(305)**	(652)
Disposal of property	**82,669**	46,608	**74,098**	41,321
Property-related income	**11,024**	11,190	**305**	362
Others	**27,255**	72,588	**33,716**	36,238
	1,269,133	661,513	**476,420**	548,706

(1) *"Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency denominated assets and liabilities.*
(2) *"Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".*
(3) *"Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.*
(4) *"Net gain/(loss) from financial instruments" include trading gains and losses from fair value financial instruments which are either designated at initial recognition or mandatorily measured at FVTPL.*

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For the financial year ended 31 December 2019

8. Staff Costs and Other Operating Expenses

		GROUP		BANK	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
8.1	**Staff Costs**				
	Salaries and other costs	**2,553,596**	2,337,643	**883,165**	819,426
	Share-based expenses	**68,691**	65,068	**25,650**	26,885
	Contribution to defined contribution plans	**201,840**	188,594	**77,607**	70,026
		2,824,127	2,591,305	**986,422**	916,337
	Directors' emoluments:				
	Remuneration of Bank's directors	**10,462**	9,777	**10,285**	9,607
	Fees of Bank's directors [(1)]	**5,333**	5,149	**3,827**	3,805
		15,795	14,926	**14,112**	13,412
	Total staff costs	**2,839,922**	2,606,231	**1,000,534**	929,749
8.2	**Other Operating Expenses**				
	Property and equipment: [(2)]				
	Depreciation	**396,749**	316,644	**168,982**	142,778
	Maintenance and hire [(3)]	**135,657**	124,029	**40,104**	39,675
	Rental expenses [(3)]	**24,249**	99,976	**60,657**	85,987
	Others	**301,280**	270,912	**138,766**	118,103
		857,935	811,561	**408,509**	386,543
	Auditors' remuneration:				
	Payable to auditors of the Bank	**3,862**	3,803	**2,739**	2,891
	Payable to associated firms of auditors of the Bank	**3,157**	3,001	**396**	381
	Payable to other auditors	**1,673**	1,397	**38**	62
		8,692	8,201	**3,173**	3,334
	Other fees:				
	Payable to auditors of the Bank [(4)]	**2,020**	2,817	**365**	1,660
	Payable to associated firms of auditors of the Bank	**646**	733	**241**	191
		2,666	3,550	**606**	1,851
	Hub processing charges	**–**	–	**252,779**	229,425
	General insurance claims	**106,985**	91,520	**–**	–
	Others [(5)]	**828,002**	693,202	**433,694**	356,456
		934,987	784,722	**686,473**	585,881
	Total other operating expenses	**1,804,280**	1,608,034	**1,098,761**	977,609
8.3	**Staff Costs and Other Operating Expenses**	**4,644,202**	4,214,265	**2,099,295**	1,907,358

(1) *Includes remuneration shares amounting to $0.7 million (2018: $0.7 million) issued to directors.*

(2) *Direct operating expenses on leased investment property for the Group and the Bank amounted to $15.8 million (2018: $19.1 million) and $4.1 million (2018: $3.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.0 million (2018: $0.6 million) and $0.4 million (2018: $0.3 million) respectively.*

(3) *Includes expenses relating to short-term leases of $28.7 million and $13.5 million for the Group and the Bank respectively, and low-value assets of $6.2 million and $0.7 million for the Group and the Bank respectively.*

(4) *Other fees payable to auditors of the Bank relate mainly to engagements in connection with the Bank's note issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.*

(5) *Included in other expenses were printing, stationery, communication, advertisement and promotion expenses, legal and professional fees and changes in third-party interests in consolidated investment funds.*

9. Allowances for Loans and Other Assets

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Allowances/(write-back):				
Impaired loans (Note 28)	**855,785**	396,963	**593,151**	267,226
Impaired other assets	**1,992**	5,089	**2,960**	36,907
Non-impaired loans	**39,435**	(90,127)	**13**	(120,208)
Non-impaired other assets	**(6,860)**	(24,412)	**(501)**	(29,422)
Allowances for loans and other assets	**890,352**	287,513	**595,623**	154,503

10. Income Tax Expense

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax expense	**829,252**	756,634	**342,608**	313,973
Deferred tax (credit)/expense (Note 20)	**(2,627)**	132,108	**57,685**	117,750
	826,625	888,742	**400,293**	431,723
Over provision in prior years	**(48,329)**	(11,558)	**(24,759)**	(14,027)
Charge to income statements	**778,296**	877,184	**375,534**	417,696

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Operating profit after allowances and amortisation	**5,233,794**	5,096,947	**3,481,606**	4,094,399
Prima facie tax calculated at tax rate of 17%	**889,745**	866,481	**591,873**	696,048
Effect of:				
Different tax rates in other countries	**104,719**	125,980	**21,069**	43,666
Income not subject to tax	**(37,491)**	(36,434)	**(180,847)**	(308,237)
Income taxed at concessionary rates	**(87,798)**	(76,241)	**(70,070)**	(47,239)
Singapore life insurance funds	**(65,745)**	(48,852)	**–**	–
Non-deductible expenses and losses	**35,358**	20,432	**20,555**	2,982
Others	**(12,163)**	37,376	**17,713**	44,503
	826,625	888,742	**400,293**	431,723
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**5,053**	(6,972)	**7,918**	(3,327)
Depreciable assets acquired in business combinations	**(16,308)**	(10,313)	**(7,464)**	(1,873)
Tax losses	**4,287**	(2,082)	**9,816**	(2,076)
Unrealised (losses)/gains on financial assets	**(7,522)**	49,597	**(11,140)**	11,747
Write-back on allowances for assets	**1,989**	103,255	**50,178**	114,888
Other temporary differences	**9,874**	(1,377)	**8,377**	(1,609)
	(2,627)	132,108	**57,685**	117,750

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For the financial year ended 31 December 2019

11. Earnings Per Share

	GROUP 2019	GROUP 2018
$'000		
Profit attributable to ordinary equity holders of the Bank	**4,869,379**	4,491,994
Perpetual capital securities distributions declared in respect of the period	**(59,000)**	(19,000)
Profit attributable to ordinary equity holders of the Bank after other equity distributions	**4,810,379**	4,472,994
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,306,827**	4,203,163
Adjustment for assumed conversion of share options and acquisition rights	**4,341**	7,978
For diluted earnings per share	**4,311,168**	4,211,141
Earnings per share ($)		
Basic	**1.12**	1.06
Diluted	**1.12**	1.06

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual capital securities distributions by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. Unappropriated Profit

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Profit attributable to equity holders of the Bank	**4,869,379**	4,491,994	**3,106,072**	3,676,703
Add:				
Unappropriated profit at 1 January	**23,440,253**	21,881,219	**12,212,957**	11,707,040
Effect of adopting SFRS(I) 9	**–**	(13,643)	**–**	(114,617)
Adjusted unappropriated profit at 1 January	**23,440,253**	21,867,576	**12,212,957**	11,592,423
Total amount available for appropriation	**28,309,632**	26,359,570	**15,319,029**	15,269,126
Appropriated as follows:				
Ordinary dividends:				
2017 final tax exempt dividend of 19 cents	**–**	(795,577)	**–**	(795,577)
2018 interim tax exempt dividend of 20 cents	**–**	(838,186)	**–**	(838,186)
2018 final tax exempt dividend of 23 cents	**(978,127)**	–	**(978,127)**	–
2019 interim tax exempt dividend of 25 cents	**(1,079,392)**	–	**(1,079,392)**	–
Distributions for other equity instruments:				
3.8% perpetual capital securities	**(19,000)**	(19,000)	**(19,000)**	(19,000)
4.0% perpetual capital securities	**(40,000)**	–	**(40,000)**	–
Transfer (to)/from:				
Capital reserves (Note 15)	**(345,422)**	(222,110)	**(340,000)**	(410,954)
Fair value reserves	**(77,607)**	(41,599)	**9,661**	2,360
General reserves (Note 16.1)	**6,979**	13,436	**6,979**	5,171
Defined benefit plans remeasurements	**(709)**	5,096	**(83)**	17
Redemption of preference shares	**–**	(1,000,000)	**–**	(1,000,000)
Others	**(1,070)**	(21,377)	**–**	–
	(2,534,348)	(2,919,317)	**(2,439,962)**	(3,056,169)
At 31 December (Note 16)	**25,775,284**	23,440,253	**12,879,067**	12,212,957

At the annual general meeting to be held, a final tax exempt dividend of 28 cents per ordinary share in respect of the financial year ended 31 December 2019, totalling $1,232.3 million, will be proposed. The dividends will be accounted for as a distribution in the 2020 financial statements.

Notes to the Financial Statements

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13. Share Capital

13.1 Share Capital

GROUP AND BANK	2019 Shares ('000)	2018 Shares ('000)
Ordinary shares		
At 1 January	**4,256,770**	4,193,784
Shares issued in lieu of ordinary dividends	**151,770**	62,933
Shares issued to non-executive directors	**54**	53
At 31 December	**4,408,594**	4,256,770
Treasury shares		
At 1 January	**(6,739)**	(7,071)
Share buyback	**(17,130)**	(17,225)
Share Option Schemes	**3,127**	4,553
Share Purchase Plan	**5,635**	7,635
Shares sold for cash	**–**	47
Treasury shares transferred to DSP Trust	**7,523**	5,322
At 31 December	**(7,584)**	(6,739)
Preference shares		
Class M		
At 1 January	**–**	1,000,000
Redemption of preference shares	**–**	(1,000,000)
At 31 December	**–**	–

GROUP AND BANK	2019 $'000	2018 $'000
Issued share capital, at 31 December	**17,261,345**	15,750,417

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group. The 4.0% Class M non-cumulative non-convertible preference shares were fully redeemed by the Bank on 17 January 2018.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2019 and 31 December 2018.

13. Share Capital (continued)

13.2 Share Option Scheme

For the financial year ended 31 December 2019, there was no options granted under the OCBC Share Option Scheme 2001.

For the financial year ended 31 December 2018, the Bank granted options to acquire 6,868,764 ordinary shares, including options granted to an executive director of the Bank to acquire 409,643 ordinary shares in the Bank. The fair value of options granted, determined using the binomial valuation model, was $16.9 million. Significant inputs to the valuation model are set out below:

	2018
Acquisition price ($)	13.34
Share price ($)	13.73
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	17.29
Risk-free rate based on SGS bond yield at acceptance date (%)	2.54
Expected dividend yield (%)	2.62
Exercise multiple (times)	1.52
Option life (years)	10

Movements in the number of shares under options and the average acquisition prices are as follows:

	2019		2018	
	Number of shares under options	Average price	Number of shares under options	Average price
At 1 January	**38,622,528**	**$10.067**	36,584,962	$9.323
Granted and accepted	**–**	**–**	6,868,764	$13.340
Exercised	**(3,141,516)**	**$8.588**	(4,573,422)	$8.939
Forfeited/lapsed	**(327,277)**	**$11.702**	(257,776)	$11.814
At 31 December	**35,153,735**	**$10.183**	38,622,528	$10.067
Exercisable options at 31 December	**27,726,440**	**$9.754**	22,698,061	$9.400
Average share price underlying the options exercised		**$11.344**		$12.956

At 31 December 2019, the weighted average remaining contractual life of outstanding share options was 5.8 years (2018: 6.7 years). The aggregate number of shares under outstanding options held by an executive director of the Bank was 5,034,060 (2018: 5,034,060).

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. Share Capital (continued)

13.3 Employee Share Purchase Plan

In June 2019, the Bank launched its fourteenth offering of ESP Plan for Group employees, which commenced on 1 July 2019 and expire on 30 June 2021. Under the offering, the Bank granted rights to acquire 8,905,273 (2018: 8,051,064) ordinary shares in the Bank, including rights granted to an executive director of the Bank to acquire 3,180 (2018: 3,103) ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model was $7.4 million (2018: $12.2 million). Significant inputs to the valuation model are set out below:

	2019	2018
Acquisition price ($)	**11.32**	11.60
Share price ($)	**10.78**	12.13
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**17.57**	18.45
Risk-free rate based on 2-year swap rate (%)	**1.72**	1.96
Expected dividend yield (%)	**3.62**	2.97

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2019		2018	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**13,371,082**	**$11.233**	14,584,083	$9.576
Exercised and conversion upon expiry	**(5,635,288)**	**$10.773**	(7,635,418)	$8.568
Forfeited	**(2,316,085)**	**$11.409**	(1,628,647)	$10.704
Subscription	**8,905,273**	**$11.320**	8,051,064	$11.600
At 31 December	**14,324,982**	**$11.439**	13,371,082	$11.233
Average share price underlying acquisition rights exercised/converted		**$11.539**		$11.568

At 31 December 2019, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2018: 1.1 years). There were 6,283 (2018: 6,445) rights held by an executive director of the Bank.

13.4 Deferred Share Plan

Total awards of 8,506,920 (2018: 5,924,046) ordinary shares, which included 339,880 (2018: 189,135) ordinary shares to an executive director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2019. The fair value of the shares at grant date was $96.2 million (2018: $78.7 million).

During the year, 6,430,261 (2018: 6,509,474) deferred shares were released to employees, of which 295,494 (2018: 309,912) deferred shares were released to an executive director of the Bank who held office as at the end of the financial year. At 31 December 2019, an executive director of the Bank had deemed interest in 684,933 (2018: 608,866) deferred shares.

The nature, general terms and conditions of Share Option Scheme, Employee Share Purchase Plan and Deferred Share Plan are provided in the Directors' Statement and the Corporate Governance section of the Annual Report.

The accounting treatment of share-based compensation plan is set out in Note 2.19.5.

14. Other Equity Instruments

		GROUP AND BANK	
	Note	2019 $'000	2018 $'000
SGD500 million 3.8% non-cumulative non-convertible perpetual capital securities (3.8% Capital Securities)	(a)	**499,143**	499,143
SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities)	(b)	**997,831**	997,831
		1,496,974	1,496,974

(a) The 3.8% Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore (MAS) Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637) on the basis that the Bank is subject to the application of MAS Notice 637.

The 3.8% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 25 August 2020 (First Reset Date). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2020, the 3.8% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.8% Capital Securities bear a fixed distribution rate of 3.8% per annum from the issue date to the First Reset Date and will be reset every 5 years thereafter to a fixed rate equal to the then-prevailing 5-year SGD Swap Offer Rate plus 1.51%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in February and August, unless cancelled by the Bank at its option. The 3.8% Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

(b) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the 4.0% Capital Securities. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound.

Notes to the Financial Statements

For the financial year ended 31 December 2019

15. Capital Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**930,432**	361,443	**638,887**	98,794
Effect of adopting SFRS(I) 9 and revised MAS 612	**–**	353,667	**–**	122,855
Adjusted balance at 1 January	**930,432**	715,110	**638,887**	221,649
Share-based payments for staff costs	**15,138**	19,883	**15,138**	19,883
Shares transferred to DSP Trust	**(99,391)**	(76,048)	**–**	–
Shares vested under DSP Scheme	**69,912**	62,976	**–**	–
Transfer from unappropriated profit (Note 12)	**345,422**	222,110	**340,000**	410,954
Transfer to share capital	**(8,320)**	(13,599)	**(8,320)**	(13,599)
At 31 December	**1,253,193**	930,432	**985,705**	638,887

Capital reserves include regulatory loss allowance reserve and statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

16. Revenue Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unappropriated profit (Note 12)	**25,775,284**	23,440,253	**12,879,067**	12,212,957
General reserves	**1,335,350**	1,333,987	**1,385,930**	1,384,567
Cash flow hedge reserves	**(560)**	765	**(704)**	(322)
Currency translation reserves	**(873,550)**	(743,843)	**(117,257)**	(100,579)
Own credit reserves	**(4,803)**	(5,570)	**(4,803)**	(5,570)
At 31 December	**26,231,721**	24,025,592	**14,142,233**	13,491,053

16.1 General Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**1,333,987**	1,340,812	**1,384,567**	1,383,127
DSP reserve from dividends on unvested shares	**8,342**	6,611	**8,342**	6,611
Transfer to unappropriated profit (Note 12)	**(6,979)**	(13,436)	**(6,979)**	(5,171)
At 31 December	**1,335,350**	1,333,987	**1,385,930**	1,384,567

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

16. Revenue Reserves (continued)

16.2 Cash Flow Hedge Reserves

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

16.3 Currency Translation Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**(743,843)**	(542,492)	**(100,579)**	(73,192)
Movements for the year	**(177,846)**	(93,611)	**(17,520)**	(40,915)
Effective portion of hedge	**48,139**	(107,740)	**842**	13,528
At 31 December	**(873,550)**	(743,843)	**(117,257)**	(100,579)

Currency translation reserves comprise differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

Refer to Note 39.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

Notes to the Financial Statements

For the financial year ended 31 December 2019

17. Deposits and Balances of Non-Bank Customers and Banks

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deposits of non-bank customers				
Current accounts	89,023,826	84,295,484	44,545,996	45,180,038
Savings deposits	57,465,084	52,795,875	46,151,289	42,832,452
Term deposits	123,333,475	124,865,986	70,342,583	67,170,566
Structured deposits	5,655,788	6,743,504	2,176,845	2,889,427
Certificates of deposit issued	20,402,457	21,615,824	19,976,694	21,250,681
Other deposits	6,970,465	5,095,376	6,226,465	4,276,846
	302,851,095	295,412,049	189,419,872	183,600,010
Deposits and balances of banks	8,249,680	7,576,453	5,938,069	6,350,256
	311,100,775	302,988,502	195,357,941	189,950,266

17.1 Deposits of Non-Bank Customers

Analysed by currency				
Singapore Dollar	107,278,249	105,327,557	102,313,276	100,313,074
US Dollar	102,800,274	91,035,834	67,616,102	60,217,704
Malaysian Ringgit	22,826,569	23,296,808	–	–
Indonesian Rupiah	10,220,877	9,473,599	–	–
Japanese Yen	1,194,231	1,462,544	168,752	520,314
Hong Kong Dollar	25,905,568	28,428,124	3,990,333	3,596,038
British Pound	8,825,406	10,181,650	6,306,210	7,945,937
Australian Dollar	10,548,273	11,382,188	6,352,474	6,876,510
Euro	2,846,738	2,961,727	626,153	893,839
Chinese Renminbi	6,678,713	7,673,803	1,210,023	2,127,261
Others	3,726,197	4,188,215	836,549	1,109,333
	302,851,095	295,412,049	189,419,872	183,600,010

17.2 Deposits and Balances of Banks

Analysed by currency				
Singapore Dollar	800,618	537,641	798,108	536,806
US Dollar	4,286,596	4,104,352	3,581,757	3,652,391
Malaysian Ringgit	184,498	217,903	–	–
Indonesian Rupiah	273,018	112,468	–	–
Japanese Yen	34,606	63,316	28,886	58,342
Hong Kong Dollar	282,058	649,064	260,057	570,431
British Pound	23,905	11,696	16,049	9,608
Australian Dollar	516,082	543,181	476,486	536,718
Euro	287,343	791,068	285,953	790,692
Chinese Renminbi	1,105,005	356,821	40,120	6,420
Others	455,951	188,943	450,653	188,848
	8,249,680	7,576,453	5,938,069	6,350,256

18. Derivative Financial Instruments

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

	2019			2018		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	60,247,428	327,553	399,778	67,791,872	628,144	611,112
Swaps	315,598,950	2,343,589	2,482,731	313,680,568	2,413,279	2,415,591
OTC options	61,469,051	187,839	194,876	76,699,359	827,480	812,528
	437,315,429	2,858,981	3,077,385	458,171,799	3,868,903	3,839,231
Interest rate derivatives (IRD)						
Swaps	510,395,666	4,203,315	4,237,497	540,403,026	2,859,510	2,803,691
OTC options	3,484,976	19,508	40,456	3,760,306	16,242	33,737
Exchange traded options	754,298	147	100	4,100,383	232	873
Exchange traded futures	13,809,368	445	569	18,691,993	961	4,949
	528,444,308	4,223,415	4,278,622	566,955,708	2,876,945	2,843,250
Equity derivatives						
Swaps	3,196,383	63,991	131,509	2,077,197	205,784	192,488
OTC options	4,594,792	81,679	79,394	3,944,941	168,952	141,448
Exchange traded futures	285,598	1,720	308	200,008	5	1,708
Others	2,034	8	7	35	4	–
	8,078,807	147,398	211,218	6,222,181	374,745	335,644
Credit derivatives						
Swaps – protection buyer	2,411,820	6,882	40,450	3,801,266	24,593	37,448
Swaps – protection seller	2,053,489	39,805	6,882	3,161,530	33,099	24,507
	4,465,309	46,687	47,332	6,962,796	57,692	61,955
Other derivatives						
Precious metals	913,414	13,028	13,350	309,751	5,094	5,781
OTC options	4,795,940	58,965	58,965	2,122,402	17,508	17,508
Futures	10,150	197	–	5,020	–	4
Commodity swaps	12,562	646	13	8,862	55	1,217
	5,732,066	72,836	72,328	2,446,035	22,657	24,510
Total	984,035,919	7,349,317	7,686,885	1,040,758,519	7,200,942	7,104,590
Included items designated for hedges:						
Fair value hedge – FED	727,606	–	14,763	–	–	–
Fair value and cash flow hedge – IRD	13,975,763	88,272	115,468	9,631,425	36,978	35,583
Hedge of net investments – FED	3,118,955	42,000	198,347	3,844,725	56,202	168,768
	17,822,324	130,272	328,578	13,476,150	93,180	204,351

For the fair value hedges, the carrying amount at 31 December 2019 relating to the assets and liabilities designated as hedged items were $7,994 million and $7,173 million (2018: $3,125 million and $5,829 million) respectively. The hedged items were mainly fixed rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2019 relating to the assets and liabilities designated as hedged items were $2,017 million and $2,017 million (2018: $2,898 million and $2,898 million) respectively. The hedged items were mainly variable rate loans (financial assets) and deposits (financial liabilities).

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18. Derivative Financial Instruments (continued)

	2019			2018		
BANK ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**36,561,307**	**176,836**	**246,930**	34,192,396	304,902	297,395
Swaps	**276,330,317**	**1,853,792**	**2,137,199**	280,808,610	1,905,954	1,911,588
OTC options	**7,867,641**	**51,428**	**59,289**	14,057,745	120,868	107,247
	320,759,265	**2,082,056**	**2,443,418**	329,058,751	2,331,724	2,316,230
Interest rate derivatives (IRD)						
Swaps	**434,510,184**	**4,110,881**	**4,083,246**	502,147,797	2,702,682	2,651,294
OTC options	**3,400,514**	**19,213**	**40,161**	3,677,500	15,961	33,372
Exchange traded options	**754,298**	**147**	**100**	4,100,382	232	873
Exchange traded futures	**13,110,346**	**372**	**542**	18,528,480	898	4,505
	451,775,342	**4,130,613**	**4,124,049**	528,454,159	2,719,773	2,690,044
Equity derivatives						
Swaps	**2,932,054**	**58,509**	**126,026**	2,005,364	201,925	188,629
OTC options	**1,067,194**	**11,194**	**8,910**	1,151,644	44,137	16,623
Exchange traded futures	**257,493**	**1,628**	**14**	200,004	–	1,620
Others	**2,034**	**8**	**7**	35	4	–
	4,258,775	**71,339**	**134,957**	3,357,047	246,066	206,872
Credit derivatives						
Swaps – protection buyer	**2,255,043**	**–**	**40,392**	3,594,253	526	37,446
Swaps – protection seller	**1,896,675**	**39,746**	**–**	2,956,791	33,099	440
	4,151,718	**39,746**	**40,392**	6,551,044	33,625	37,886
Other derivatives						
Precious metals	**34,323**	**25**	**548**	23,681	–	737
Total	**780,979,423**	**6,323,779**	**6,743,364**	867,444,682	5,331,188	5,251,769
Included items designated for hedges:						
Fair value hedge – FED	**3,476,395**	**41,213**	**190,056**	2,932,118	54,123	149,399
Fair value hedge – IRD	**9,710,920**	**87,737**	**57,652**	5,054,585	26,376	14,420
Hedge of net investments – FED	**284,481**	**787**	**20,148**	418,862	655	17,495
	13,471,796	**129,737**	**267,856**	8,405,565	81,154	181,314

18. Derivative Financial Instruments (continued)

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**2,694,489**	2,922,337	**2,304,388**	2,122,679
Other financial institutions	**3,259,280**	3,210,477	**2,949,984**	2,563,907
Corporates	**1,121,223**	471,488	**1,014,181**	403,668
Individuals	**253,251**	542,700	**34,499**	186,994
Others	**21,074**	53,940	**20,727**	53,940
	7,349,317	7,200,942	**6,323,779**	5,331,188
Analysed by geography				
Singapore	**930,121**	1,042,006	**923,488**	1,004,997
Malaysia	**262,865**	264,104	**81,077**	45,885
Indonesia	**184,397**	78,361	**126,553**	24,113
Greater China	**913,029**	1,333,831	**449,588**	419,357
Other Asia Pacific	**443,796**	411,441	**377,698**	265,274
Rest of the World	**4,615,109**	4,071,199	**4,365,375**	3,571,562
	7,349,317	7,200,942	**6,323,779**	5,331,188

The analysis by geography is determined based on where the credit risk resides.

19. Other Liabilities

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bills payable	**379,844**	321,970	**256,604**	238,385
Interest payable	**932,149**	913,634	**589,820**	500,602
Lease liabilities	**293,184**	–	**67,245**	–
Sundry creditors	**4,034,423**	3,419,950	**611,048**	600,353
Others	**1,304,979**	1,157,108	**561,153**	485,158
	6,944,579	5,812,662	**2,085,870**	1,824,498

At 31 December 2019, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $51.7 million (2018: $38.6 million) and $27.9 million (2018: $27.6 million) respectively for the Group.

20. Deferred Tax

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**1,345,504**	1,372,617	**153,038**	(10,462)
Effect of adopting SFRS(I) 9	**–**	47,323	**–**	50,958
Adjusted balance at 1 January	**1,345,504**	1,419,940	**153,038**	40,496
Acquisitions	**(4,668)**	–	**–**	–
Currency translation and others	**(2,468)**	27,781	**(420)**	104
Net (credit)/charge to income statements (Note 10)	**(2,627)**	132,108	**57,685**	117,750
(Over)/under provision in prior years	**(438)**	429	**79**	(34)
Net charge/(credit) to equity	**160,047**	(115,074)	**6,863**	(5,278)
Net change in life insurance fund tax	**311,036**	(119,680)	**–**	–
At 31 December	**1,806,386**	1,345,504	**217,245**	153,038

Notes to the Financial Statements

For the financial year ended 31 December 2019

20. Deferred Tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**93,920**	87,632	**63,662**	55,762
Unrealised gains on investments	**336,925**	158,181	**19,061**	27,101
Depreciable assets acquired in business combination	**147,229**	164,377	**39,224**	46,688
Provision for policy liabilities	**1,181,330**	961,838	**–**	–
Regulatory loss allowance reserve	**129,149**	76,774	**129,149**	76,774
Others	**138,817**	142,893	**3,538**	211
	2,027,370	1,591,695	**254,634**	206,536
Amount offset against deferred tax assets	**(134,315)**	(140,679)	**(16,440)**	(25,193)
	1,893,055	1,451,016	**238,194**	181,343
Deferred tax assets				
Allowances for impairment of assets	**(111,953)**	(64,559)	**(11,451)**	(7,979)
Tax losses	**(10,627)**	(15,690)	**–**	(15,685)
Others	**(98,404)**	(165,942)	**(25,938)**	(29,834)
	(220,984)	(246,191)	**(37,389)**	(53,498)
Amount offset against deferred tax liabilities	**134,315**	140,679	**16,440**	25,193
	(86,669)	(105,512)	**(20,949)**	(28,305)
Net deferred tax liabilities/(assets)	**1,806,386**	1,345,504	**217,245**	153,038

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $64.5 million (2018: $45.4 million) for the Group, $12.9 million (2018: $8.4 million) for the Bank. These tax losses have no expiry date except for an amount of $52.0 million (2018: $29.0 million) which will expire between the years 2020 and 2028 (2018: 2019 and 2027).

21. Debt Issued

		GROUP		BANK	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unsecured					
Subordinated debt	21.1	**1,797,204**	3,246,787	**1,397,304**	2,715,062
Fixed and floating rate notes	21.2	**4,502,113**	3,856,820	**3,861,199**	3,023,694
Commercial paper	21.3	**17,872,037**	18,155,297	**17,750,368**	18,059,731
Structured notes	21.4	**1,742,009**	1,482,821	**1,742,009**	1,482,821
		25,913,363	26,741,725	**24,750,880**	25,281,308
Secured					
Covered bonds	21.5	**3,474,900**	3,530,386	**3,474,900**	3,530,386
Total debt issued		**29,388,263**	30,272,111	**28,225,780**	28,811,694

21. Debt Issued (continued)

21.1 Subordinated Debt

				GROUP	
	Note	Issue date	Maturity date	2019 $'000	2018 $'000
Issued by the Bank:					
USD1 billion 4.00% notes	(a)	15 Apr 2014	15 Oct 2024	**–**	1,354,191
USD1 billion 4.25% notes	(b)	19 Jun 2014	19 Jun 2024	**1,397,304**	1,360,871
				1,397,304	2,715,062
Issued by OCBC Bank (Malaysia) Berhad (OCBC Malaysia):					
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(c)	17 Apr 2009	Not applicable	**–**	131,925
Issued by The Great Eastern Life Assurance Company Limited (GEL):					
SGD400 million 4.60% notes	(d)	19 Jan 2011	19 Jan 2026	**399,900**	399,800
Total subordinated debt				**1,797,204**	3,246,787

(a) The subordinated notes were redeemable in whole at the option of the Bank on 15 October 2019. They could be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest was payable semi-annually on 15 April and 15 October each year at 4.00% per annum up to 15 October 2019, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.203% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying amount. The subordinated notes qualified as Tier 2 capital for the Group.

The subordinated notes were fully redeemed by the Bank on 15 October 2019.

(b) The subordinated notes can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 19 June and 19 December each year at 4.25% per annum. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying amount. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The Innovative Tier 1 (IT1) Capital Securities were redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest was payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offered Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities were to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualified as Additional Tier 1 capital for the Group.

The Innovative Tier 1 (IT1) Capital Securities were fully redeemed by OCBC Malaysia on 17 April 2019.

(d) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

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21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes

	Note	Issue date	Maturity date	GROUP 2019 $'000	GROUP 2018 $'000
Issued by the Bank:					
AUD300 million floating rate notes	(a)	6 Mar 2015	6 Jun 2019	–	289,199
AUD300 million floating rate notes	(b)	17 Mar 2016	17 Mar 2020	**282,944**	289,119
AUD500 million floating rate notes	(c)	6 Oct 2017 – 6 Nov 2017	6 Oct 2020	**471,534**	481,898
AUD600 million floating rate notes	(d)	23 Apr 2018	23 Apr 2021	**565,689**	578,050
AUD500 million floating rate notes	(e)	6 Sep 2018	6 Sep 2021	**471,360**	481,661
AUD100 million floating rate notes	(f)	28 Nov 2018	24 Feb 2020	**94,318**	96,400
AUD200 million floating rate notes	(g)	8 Apr 2019	6 Apr 2020	**188,634**	–
AUD550 million floating rate notes	(h)	23 May 2019	23 May 2022	**518,393**	–
AUD500 million floating rate notes	(i)	5 Dec 2019	5 Dec 2022	**471,181**	–
CNY500 million 3.50% fixed rate notes	(k)	5 Feb 2013	5 Feb 2020	**96,556**	99,156
HKD1.403 billion 1.59% fixed rate notes	(l)	25 Sep 2017	25 Sep 2020	**242,817**	244,503
USD340 million floating rate notes	(j)	17 May 2018	17 May 2021	**457,773**	463,708
				3,861,199	3,023,694
Issued by OCBC NISP:					
IDR783 billion 8.25% fixed rate bonds	(m)	11 May 2016	11 May 2019	–	73,566
IDR300 billion 7.30% fixed rate bonds	(m)	22 Aug 2017	22 Aug 2019	–	28,174
IDR454 billion 7.70% fixed rate bonds	(n)	22 Aug 2017	22 Aug 2020	**44,010**	42,610
IDR175 billion 6.75% fixed rate bonds	(m)	12 Dec 2017	12 Dec 2019	–	16,428
IDR609 billion 7.20% fixed rate bonds	(n)	12 Dec 2017	12 Dec 2020	**59,019**	57,141
IDR525 billion 6.00% fixed rate bonds	(m)	11 Apr 2018	20 Apr 2019	–	49,306
IDR535 billion 6.90% fixed rate bonds	(n)	11 Apr 2018	10 Apr 2021	**47,952**	46,425
IDR655 billion 6.75% fixed rate bonds	(m)	6 Jul 2018	16 Jul 2019	–	61,408
IDR3 billion 7.25% fixed rate bonds	(n)	6 Jul 2018	6 Jul 2020	**291**	281
IDR342 billion 7.75% fixed rate bonds	(n)	6 Jul 2018	6 Jul 2021	**33,087**	32,014
				184,359	407,353
Issued by Pac Lease Berhad:					
MYR85 million 4.40% fixed rate notes	(k)	13 Nov 2018	13 May 2020	**27,969**	28,034
MYR80 million 3.80% fixed rate notes	(k)	23 Sep 2019	23 Mar 2021	**26,324**	–
MYR50 million 3.80% fixed rate notes	(k)	26 Sep 2019	26 Mar 2021	**16,453**	–
				70,746	28,034
Issued by OCBC Wing Hang Bank (China):					
CNY2 billion 4.06% fixed rate bonds	(l)	28 Nov 2018	28 Nov 2021	**385,809**	397,739
Total fixed and floating rate notes				**4,502,113**	3,856,820

(a) Interest was payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum. The notes were fully redeemed on the maturity date.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.20% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.60% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.70% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.72% per annum.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (continued)

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.48% per annum.

(g) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.38% per annum.

(h) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.62% per annum.

(i) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.63% per annum.

(j) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus 0.45% per annum.

(k) Interest is payable semi-annually.

(l) Interest is payable annually.

(m) Interest was payable quarterly. The bonds were fully redeemed on their respective maturity dates.

(n) Interest is payable quarterly.

21.3 Commercial Paper

	Note	GROUP 2019 $'000	GROUP 2018 $'000
Issued by the Bank	(a)	**17,750,368**	18,059,731
Issued by Pac Lease Berhad	(b)	**121,669**	95,566
Total commercial paper issued		**17,872,037**	18,155,297

(a) The Bank issued the commercial paper under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding as at 31 December 2019 (2018: 31 December 2018) were issued between 19 February 2019 (2018: 11 January 2018) and 20 December 2019 (2018: 17 December 2018), and mature between 3 January 2020 (2018: 3 January 2019) and 5 November 2020 (2018: 18 October 2019), yielding between 0.81% and 2.09% (2018: 0.42% and 3.01%).

(b) Pac Lease Berhad issued the commercial paper under its MYR1 billion 7-year CP/MTN programme. The notes outstanding as at 31 December 2019 (2018: 31 December 2018) were issued between 4 December 2019 (2018: 30 October 2018) and 19 December 2019 (2018: 26 December 2018), and mature between 3 January 2020 (2018: 4 January 2019) and 20 January 2020 (2018: 25 January 2019), with interest rate at 3.55% (2018: 3.90% to 4.10%).

21.4 Structured Notes

	Issue date	Maturity date	GROUP 2019 $'000	GROUP 2018 $'000
Issued by the Bank:				
Credit linked notes	1 Oct 2012 – 23 Dec 2019	15 Jan 2020 – 15 Apr 2025	**1,093,913**	904,054
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**107,737**	109,166
Bond linked notes	12 Oct 2016 – 21 Nov 2019	5 Jun 2020 – 12 Nov 2027	**342,149**	336,680
Index linked notes	12 Feb 2018 – 15 Mar 2019	20 Feb 2020 – 30 Jul 2020	**59,696**	92,877
Fund linked notes	16 Jul 2018 – 14 Nov 2019	4 Mar 2021 – 16 May 2024	**38,847**	40,044
Participation notes	14 Jun 2019 – 17 Dec 2019	16 Jun 2020 – 16 Jul 2024	**99,667**	–
			1,742,009	1,482,821

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $968.9 million (2018: $738.5 million) included under credit linked notes and $342.1 million (2018: $336.7 million) included under bond linked notes as at 31 December 2019 which were measured at fair value through profit or loss.

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21. Debt Issued (continued)

21.4 Structured Notes (continued)

In accordance with SFRS(I) 9, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit or loss, and were included as part of the Group's derivatives in the financial statements.

21.5 Covered Bonds

			GROUP	
	Issue date	Maturity date	2019 $'000	2018 $'000
Issued by the Bank:				
EUR1 billion 0.25% fixed rate bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	1,510,330	1,550,803
EUR500 million 0.375% fixed rate bonds	1 Mar 2018	1 Mar 2023	759,470	778,013
EUR500 million 0.625% fixed rate bonds	18 Apr 2018	18 Apr 2025	763,716	769,489
GBP250 million floating rate bonds	14 Mar 2018	14 Mar 2023	441,384	432,081
			3,474,900	3,530,386

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. (Note 46.2). Interest is payable annually in arrears.

21.6 Reconciliation of Movements of Liabilities to Cash Flow Arising from Financing Activities

GROUP ($'000)	Subordinated debt	Fixed and floating rate notes	Commercial paper	Structured notes	Covered bonds	Total
At 1 January 2018	4,556,224	3,424,298	21,380,796	1,289,133	1,584,295	32,234,746
Cash flows	(1,314,217)	551,435	(3,428,339)	179,917	2,062,413	(1,948,791)
Non-cash changes						
Currency translation	32,686	(210,191)	43,008	8,191	55,247	(71,059)
Others	(27,906)	91,278	159,832	5,580	(171,569)	57,215
At 31 December 2018/1 January 2019	3,246,787	3,856,820	18,155,297	1,482,821	3,530,386	30,272,111
Cash flows	(1,503,534)	703,385	(241,124)	233,648	–	(807,625)
Non-cash changes						
Currency translation	(11,011)	(58,973)	(188,348)	26,034	(22,917)	(255,215)
Others	64,962	881	146,212	(494)	(32,569)	178,992
At 31 December 2019	1,797,204	4,502,113	17,872,037	1,742,009	3,474,900	29,388,263

22. Life Insurance Fund Liabilities and Investment Assets

	GROUP	
	2019 $ million	2018 $ million
Life insurance fund liabilities		
Movements in life insurance fund		
At 1 January	68,260.2	65,151.0
Effect of adopting SFRS(I) 9	–	(3.2)
Adjusted balance at 1 January	68,260.2	65,147.8
Currency translation	(44.5)	(70.1)
Changes due to transfer of Eldershield portfolio [1]	(1,572.3)	–
Fair value reserve movements	4.2	(0.9)
Change in life insurance contract liabilities (Note 4)	8,556.7	3,183.4
At 31 December	75,204.3	68,260.2
Policy benefits	4,672.1	4,192.0
Others [1]	4,569.5	2,476.2
	84,445.9	74,928.4
Life insurance fund investment assets		
Deposits with banks and financial institutions	4,380.3	3,736.7
Loans	1,064.3	1,321.8
Securities	75,786.5	66,261.4
Investment property	1,785.5	1,771.3
Others [2]	4,320.7	3,775.8
	87,337.3	76,867.0
Life insurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	285.1	270.5
Deferred tax	1,507.7	1,127.5
Other liabilities	98.7	–
Assets		
Cash and placements with central banks	#	#
Placements with and loans to banks	1,256.6	1,261.1
Property, plant and equipment	683.9	569.1
The following contracts were entered into under the life insurance fund:		
Operating lease commitments	–	60.5
Capital commitment authorised and contracted	172.6	125.3
Derivative financial instruments (principal notional amount)	27,915.7	19,566.8
Derivative receivables	400.4	219.8
Derivative payables	191.0	289.7
Minimum lease rental receivables under non-cancellable operating leases	60.8	59.9

(1) *On 28 December 2018, The Great Eastern Life Assurance Company Limited entered into an Agreement to Transfer with Ministry of Health (MOH) for the Government to take over the administration of the ElderShield scheme. Following the enactment of Careshield Life and Long-Term Care Act 2019, The Great Eastern Life Assurance Company Limited has derecognised the liabilities of the Eldershield portfolio as at 31 December 2019. The Great Eastern Life Assurance Company Limited is expected to transfer the amount due to MOH and corresponding assets backing these liabilities to MOH at a later date.*

(2) *Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.*

(3) *# represents amounts less than $0.5 million.*

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23. Cash and Placements with Central Banks

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash on hand	899,363	830,022	450,229	479,568
Non-restricted balances with central banks	1,799,923	414,133	1,770,657	397,311
Money market placements and reverse repos with central banks	15,360,420	12,141,366	12,551,558	9,889,207
Cash and cash equivalents	18,059,706	13,385,521	14,772,444	10,766,086
Restricted balances with central banks – mandatory reserve deposits	5,142,616	5,364,879	3,052,023	2,975,330
Gross cash and placements with central banks	23,202,322	18,750,400	17,824,467	13,741,416
Allowances for non-impaired placements with central banks	(768)	(2,316)	(768)	(1,330)
Net cash and placements with central banks	23,201,554	18,748,084	17,823,699	13,740,086

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Singapore government treasury bills and securities				
Mandatorily measured at FVTPL	1,744,127	1,587,244	1,744,127	1,587,244
FVOCI	9,298,687	8,023,309	8,147,606	7,698,270
Gross securities	11,042,814	9,610,553	9,891,733	9,285,514
Assets pledged (Note 46.1)	–	–	–	(312,750)
	11,042,814	9,610,553	9,891,733	8,972,764
Other government treasury bills and securities				
Mandatorily measured at FVTPL	2,920,392	2,348,126	2,142,018	1,573,211
Designated as FVTPL	8,516	9,634	–	–
FVOCI	14,372,885	15,461,436	5,108,509	6,322,283
Amortised cost	410,311	374,163	410,311	374,163
Gross securities	17,712,104	18,193,359	7,660,838	8,269,657
Allowances for non-impaired other government treasury bills and securities	(6)	(2)	(6)	(2)
Net securities	17,712,098	18,193,357	7,660,832	8,269,655
Assets pledged (Note 46.1)	(92,134)	(27,962)	(16,581)	(10,504)
	17,619,964	18,165,395	7,644,251	8,259,151
Treasury bills and securities analysed by geography				
Singapore	11,042,814	9,610,553	9,891,733	9,285,514
Malaysia	3,841,475	3,667,401	152,507	72,479
Indonesia	2,831,017	2,783,220	347,630	132,547
Greater China	4,085,581	5,474,780	2,036,434	3,558,972
Other Asia Pacific	4,234,326	4,047,051	4,223,560	3,865,534
Rest of the World	2,719,699	2,220,905	900,701	640,123
	28,754,912	27,803,910	17,552,565	17,555,169

25. Placements with and Loans to Banks

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At fair value:				
Certificates of deposit held				
Mandatorily measured at FVTPL	1,992,289	2,629,522	1,992,289	2,629,522
FVOCI	11,024,360	11,075,847	7,700,567	6,162,733
	13,016,649	13,705,369	9,692,856	8,792,255
At amortised cost:				
Placements with and loans to banks	20,579,042	21,761,491	17,393,883	17,978,372
Market bills purchased	796,187	1,856,086	796,187	1,856,086
Reverse repos	224,148	588,845	224,148	569,725
	21,599,377	24,206,422	18,414,218	20,404,183
Balances with banks	34,616,026	37,911,791	28,107,074	29,196,438
Assets pledged (Note 46.1)	(50,992)	(124,661)	(44,246)	(120,782)
Bank balances of life insurance fund – at amortised cost	1,256,576	1,261,109	–	–
Placements with and loans to banks	35,821,610	39,048,239	28,062,828	29,075,656
Allowances for non-impaired placements with and loans to banks	(8,959)	(13,294)	(6,686)	(11,669)
Net placements with and loans to banks	35,812,651	39,034,945	28,056,142	29,063,987
Balances with banks analysed:				
By currency				
Singapore Dollar	286,960	529,326	57,627	63,105
US Dollar	25,497,011	29,592,788	21,769,239	24,999,883
Malaysian Ringgit	969,586	1,269,547	19	22
Indonesian Rupiah	531,579	221,494	2	2
Japanese Yen	270,744	636,280	55,572	473,597
Hong Kong Dollar	822,597	694,681	540,497	328,338
British Pound	580,366	663,379	570,696	651,912
Australian Dollar	658,732	621,790	646,859	614,725
Euro	471,175	620,723	406,471	592,160
Chinese Renminbi	3,723,806	2,837,347	3,365,866	1,342,702
Others	803,470	224,436	694,226	129,992
	34,616,026	37,911,791	28,107,074	29,196,438
By geography				
Singapore	730,018	534,331	366,100	43,129
Malaysia	4,292,467	4,144,996	3,270,816	2,786,040
Indonesia	904,802	810,186	366,718	584,228
Greater China	24,017,439	25,527,495	21,316,633	20,817,983
Other Asia Pacific	1,064,715	1,598,469	957,402	1,474,385
Rest of the World	3,606,585	5,296,314	1,829,405	3,490,673
	34,616,026	37,911,791	28,107,074	29,196,438

The analysis by geography is determined based on where the credit risk resides.

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26. Loans and Bills Receivable

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Gross loans				
Amortised cost	264,592,905	257,432,456	165,989,306	158,152,944
Mandatorily measured at FVTPL	180,406	272,284	171,472	250,324
	264,773,311	257,704,740	166,160,778	158,403,268
Allowances				
Impaired loans (Note 28)	(1,394,721)	(1,218,428)	(1,034,719)	(949,044)
Non-impaired loans (Note 30)	(1,029,993)	(984,042)	(562,134)	(557,588)
Net loans	262,348,597	255,502,270	164,563,925	156,896,636
Assets pledged (Note 46.1)	(303,640)	(309,155)	–	–
	262,044,957	255,193,115	164,563,925	156,896,636
Bills receivable	7,462,320	9,360,743	6,135,663	7,842,766
Loans	254,886,277	246,141,527	158,428,262	149,053,870
Net loans	262,348,597	255,502,270	164,563,925	156,896,636

26.1 Analysed by Currency

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Singapore Dollar	93,559,170	91,640,431	90,528,980	88,198,585
US Dollar	65,163,128	67,248,176	41,950,663	43,946,869
Malaysian Ringgit	20,877,926	20,870,139	90	77
Indonesian Rupiah	9,221,577	8,695,113	–	–
Japanese Yen	2,758,743	2,217,464	364,048	314,799
Hong Kong Dollar	34,354,533	35,194,442	10,083,614	8,565,138
British Pound	12,408,528	8,132,166	9,014,868	5,551,822
Australian Dollar	9,142,859	7,643,615	7,695,590	6,502,973
Euro	7,999,722	7,384,950	3,121,670	2,505,969
Chinese Renminbi	4,933,483	4,501,640	1,456,114	706,886
Others	4,353,642	4,176,604	1,945,141	2,110,150
	264,773,311	257,704,740	166,160,778	158,403,268

26.2 Analysed by Product

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Overdrafts	4,155,151	4,647,930	656,374	761,101
Short-term and revolving loans	66,516,691	65,151,098	26,420,871	25,767,520
Syndicated and term loans	93,724,709	82,626,139	78,386,985	67,750,716
Housing and commercial property loans	71,414,267	73,372,488	42,733,801	43,507,846
Car, credit card and share margin loans	5,323,848	5,402,136	3,270,684	3,062,877
Others	23,638,645	26,504,949	14,692,063	17,553,208
	264,773,311	257,704,740	166,160,778	158,403,268

26. Loans and Bills Receivable (continued)

26.3 Analysed by Industry

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Agriculture, mining and quarrying	8,963,197	8,893,658	5,736,387	5,616,792
Manufacturing	17,073,573	16,494,130	9,388,021	8,598,398
Building and construction	64,686,363	53,510,574	51,985,297	42,239,673
Housing	62,069,239	64,753,306	40,915,934	41,466,082
General commerce	31,822,903	34,407,724	23,110,586	25,494,839
Transport, storage and communication	13,311,002	13,509,451	10,528,535	11,100,684
Financial institutions, investment and holding companies	24,542,020	23,915,474	4,780,102	4,719,325
Professionals and individuals	30,321,718	30,373,342	10,694,191	10,104,165
Others	11,983,296	11,847,081	9,021,725	9,063,310
	264,773,311	257,704,740	166,160,778	158,403,268

26.4 Analysed by Interest Rate Sensitivity

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Fixed				
Singapore	12,341,952	6,539,937	12,303,230	6,503,468
Malaysia	3,072,869	2,993,547	–	–
Indonesia	1,290,982	1,316,923	–	–
Greater China	6,560,349	7,564,856	2,856,539	3,463,554
Other Asia Pacific	159,895	159,583	159,895	159,583
Rest of the World	38	10,121	38	10,121
	23,426,085	18,584,967	15,319,702	10,136,726
Variable				
Singapore	147,250,290	149,474,230	119,195,815	120,778,492
Malaysia	25,227,675	26,129,536	4,770,719	5,819,001
Indonesia	10,328,930	9,860,402	–	–
Greater China	38,572,321	38,338,821	6,906,532	6,352,265
Other Asia Pacific	9,781,685	8,066,327	9,781,685	8,066,327
Rest of the World	10,186,325	7,250,457	10,186,325	7,250,457
	241,347,226	239,119,773	150,841,076	148,266,542
Total	264,773,311	257,704,740	166,160,778	158,403,268

The analysis by interest rate sensitivity is based on whether fixed or variable rate pricing, further categorised by where the transactions are booked.

26.5 Analysed by Geography

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Singapore	108,980,624	108,168,765	98,419,426	97,308,133
Malaysia	28,584,748	29,648,843	4,071,565	5,197,628
Indonesia	19,679,831	19,659,690	6,502,853	6,669,618
Greater China	65,358,727	64,404,247	26,398,736	25,405,101
Other Asia Pacific	15,673,860	13,595,538	12,672,475	10,429,773
Rest of the World	26,495,521	22,227,657	18,095,723	13,393,015
	264,773,311	257,704,740	166,160,778	158,403,268

The analysis by geography is based on where the credit risk resides.

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27. Non-Performing Assets

Non-performing assets (NPAs) comprise non-performing loans, debt securities and contingents that are classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Allowances for impaired assets	Net loans, securities and contingents
GROUP						
2019						
Classified loans	**2,310**	**1,094**	**434**	**3,838**	**(1,388)**	**2,450**
Classified debt securities	**–**	**2**	**–**	**2**	**(2)**	**–**
Classified contingents	**20**	**23**	**#**	**43**	**(5)**	**38**
Total classified assets	**2,330**	**1,119**	**434**	**3,883**	**(1,395)**	**2,488**
2018						
Classified loans	2,312	1,145	381	3,838	(1,211)	2,627
Classified debt securities	–	2	#	2	(2)	#
Classified contingents	44	54	–	98	(6)	92
Total classified assets	2,356	1,201	381	3,938	(1,219)	2,719
BANK						
2019						
Classified loans	**1,780**	**705**	**186**	**2,671**	**(1,031)**	**1,640**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**19**	**13**	**#**	**32**	**(4)**	**28**
Total classified assets	**1,799**	**718**	**186**	**2,703**	**(1,035)**	**1,668**
2018						
Classified loans	1,758	925	184	2,867	(944)	1,923
Classified debt securities	–	–	#	#	–	#
Classified contingents	44	51	–	95	(5)	90
Total classified assets	1,802	976	184	2,962	(949)	2,013

(1) # represents amounts less than $0.5 million.

	GROUP 2019 $ million	GROUP 2018 $ million	BANK 2019 $ million	BANK 2018 $ million
27.1 Analysed by Period Overdue				
Over 180 days	**1,770**	1,225	**1,229**	691
Over 90 days to 180 days	**173**	397	**77**	282
30 days to 90 days	**530**	396	**452**	332
Less than 30 days	**474**	164	**203**	21
No overdue	**936**	1,756	**742**	1,636
	3,883	3,938	**2,703**	2,962
27.2 Analysed by Collateral Type				
Property	**863**	855	**277**	318
Fixed deposit	**6**	5	**2**	1
Stock and shares	**128**	6	**125**	2
Motor vehicles	**4**	3	**1**	1
Secured – Others	**1,554**	1,756	**1,497**	1,656
Unsecured – Corporate and other guarantees	**491**	759	**491**	685
Unsecured – Clean	**837**	554	**310**	299
	3,883	3,938	**2,703**	2,962

27. Non-Performing Assets (continued)

	GROUP 2019 $ million	GROUP 2018 $ million	BANK 2019 $ million	BANK 2018 $ million
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**470**	567	**449**	537
Manufacturing	**468**	398	**94**	231
Building and construction	**165**	143	**37**	73
Housing	**435**	429	**226**	239
General commerce	**556**	727	**285**	428
Transport, storage and communication	**1,592**	1,358	**1,538**	1,269
Financial institutions, investment and holding companies	**27**	42	**–**	1
Professionals and individuals	**123**	118	**42**	49
Others	**47**	156	**32**	135
	3,883	3,938	**2,703**	2,962

27.4 Analysed by Geography

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2019						
Substandard	**1,309**	**372**	**289**	**54**	**306**	**2,330**
Doubtful	**237**	**321**	**222**	**133**	**206**	**1,119**
Loss	**171**	**45**	**167**	**43**	**8**	**434**
	1,717	**738**	**678**	**230**	**520**	**3,883**
Allowances for impaired assets	**(679)**	**(308)**	**(235)**	**(47)**	**(126)**	**(1,395)**
	1,038	**430**	**443**	**183**	**394**	**2,488**
2018						
Substandard	923	395	406	120	512	2,356
Doubtful	433	369	95	106	198	1,201
Loss	184	42	118	36	1	381
	1,540	806	619	262	711	3,938
Allowances for impaired assets	(483)	(333)	(197)	(61)	(145)	(1,219)
	1,057	473	422	201	566	2,719
BANK						
2019						
Substandard	**1,309**	**61**	**133**	**14**	**282**	**1,799**
Doubtful	**234**	**193**	**7**	**84**	**200**	**718**
Loss	**171**	**–**	**3**	**4**	**8**	**186**
	1,714	**254**	**143**	**102**	**490**	**2,703**
Allowances for impaired assets	**(677)**	**(173)**	**(36)**	**(28)**	**(121)**	**(1,035)**
	1,037	**81**	**107**	**74**	**369**	**1,668**
2018						
Substandard	923	104	285	14	476	1,802
Doubtful	430	252	57	39	198	976
Loss	184	–	–	#	–	184
	1,537	356	342	53	674	2,962
Allowances for impaired assets	(480)	(203)	(94)	(28)	(144)	(949)
	1,057	153	248	25	530	2,013

(1) # represents amounts less than $0.5 million.

NPAs by geography are determined based on where the credit risk resides.

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27. Non-Performing Assets (continued)

27.5 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related allowances are shown below. The restructured loans as a percentage of total non-performing loans were 42.7% (2018: 24.3%) and 47.9% (2018: 27.4%) for the Group and the Bank respectively.

	2019		2018	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**1,099**	**498**	765	113
Doubtful	**515**	**279**	157	99
Loss	**44**	**18**	33	12
	1,658	**795**	955	224
BANK				
Substandard	**986**	**463**	663	107
Doubtful	**292**	**216**	131	78
Loss	**17**	**#**	17	#
	1,295	**679**	811	185

(1) *# represents amounts less than $0.5 million.*

28. Allowances for Impaired Loans and Bills Receivable

	GROUP		BANK	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
At 1 January	**1,219**	1,236	**949**	947
Effect of adopting SFRS(I) 9 (1)	**–**	(#)	**–**	–
Adjusted balance at 1 January	**1,219**	1,236	**949**	947
Currency translation	**(12)**	11	**(10)**	19
Write-offs	**(642)**	(413)	**(478)**	(279)
Allowances	**929**	460	**638**	305
Recovery	**(73)**	(63)	**(45)**	(38)
Net allowances (Note 9)	**856**	397	**593**	267
Interest recognition on impaired loans	**(53)**	(34)	**(46)**	(26)
Transfers	**27**	22	**27**	21
At 31 December (Note 26)	**1,395**	1,219	**1,035**	949

(1) *As first-time adopter of SFRS(I) 9, the Group and the Bank were required to recognise the cumulative effect in revenue reserves as at 1 January 2018.*
(2) *# represents amounts less than $0.5 million.*

28. Allowances for Impaired Loans and Bills Receivable (continued)

Analysed by Industry

	Cumulative allowances for impaired loans		Net allowances for impaired loans charged to income statements	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
GROUP				
Agriculture, mining and quarrying	**159**	146	**20**	69
Manufacturing	**132**	64	**107**	33
Building and construction	**36**	17	**19**	6
Housing	**47**	39	**69**	5
General commerce	**174**	272	**90**	185
Transport, storage and communication	**726**	499	**366**	7
Financial institutions, investment and holding companies	**46**	74	**134**	51
Professionals and individuals	**63**	68	**37**	26
Others	**12**	40	**14**	15
	1,395	1,219	**856**	397
BANK				
Agriculture, mining and quarrying	**157**	145	**13**	20
Manufacturing	**37**	27	**28**	25
Building and construction	**4**	3	**1**	(1)
Housing	**8**	7	**–**	–
General commerce	**48**	159	**23**	123
Transport, storage and communication	**696**	462	**346**	4
Financial institutions, investment and holding companies	**44**	72	**133**	50
Professionals and individuals	**37**	42	**19**	16
Others	**4**	32	**30**	30
	1,035	949	**593**	267

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For the financial year ended 31 December 2019

29. Debt and Equity Securities

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Mandatorily measured at FVTPL				
Quoted debt securities	**2,356,299**	1,831,030	**1,602,667**	1,351,660
Unquoted debt securities	**1,757,564**	1,946,771	**1,469,763**	1,586,508
Quoted equity securities	**696,542**	786,867	**398,593**	273,253
Unquoted equity securities	**454,476**	428,149	**374,444**	370,946
Quoted investment funds	**956,435**	759,162	**511,650**	191,001
Unquoted investment funds	**797,383**	407,969	**127,000**	15,624
	7,018,699	6,159,948	**4,484,117**	3,788,992
Designated as FVTPL				
Unquoted debt securities	**15,142**	17,179	**–**	–
FVOCI				
Quoted debt securities	**15,737,007**	13,840,166	**6,739,391**	5,820,756
Unquoted debt securities	**5,091,900**	4,547,781	**2,814,215**	2,684,965
Quoted equity securities	**851,204**	1,163,164	**83,616**	27,040
Unquoted equity securities	**416,239**	306,342	**28,100**	63,447
Unquoted investment funds	**57,136**	58,418	**57,136**	58,418
	22,153,486	19,915,871	**9,722,458**	8,654,626
Amortised cost				
Quoted debt securities	**64,812**	74,731	**64,812**	74,731
Unquoted debt securities	**–**	17,594	**–**	17,594
	64,812	92,325	**64,812**	92,325
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	64,800	92,304	**64,800**	92,304
Total debt and equity securities				
Debt securities	**25,022,724**	22,275,252	**12,690,848**	11,536,214
Equity securities	**2,418,461**	2,684,522	**884,753**	734,686
Investment funds	**1,810,954**	1,225,549	**695,786**	265,043
Total securities	**29,252,139**	26,185,323	**14,271,387**	12,535,943
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	29,252,127	26,185,302	**14,271,375**	12,535,922
Assets pledged (Note 46.1)	**(718,961)**	(642,795)	**(61,631)**	(563,312)
	28,533,166	25,542,507	**14,209,744**	11,972,610

29. Debt and Equity Securities (continued)

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**16,350,623**	14,737,228	**9,453,571**	8,768,008
Non-investment grade (BB to C)	**270,165**	216,511	**270,042**	208,849
Non-rated	**8,401,924**	7,321,492	**2,967,223**	2,559,336
	25,022,712	22,275,231	**12,690,836**	11,536,193
By credit quality				
Pass	**24,989,017**	22,237,592	**12,657,141**	11,500,247
Special mention	**33,707**	35,967	**33,707**	35,967
Doubtful	**–**	1,693	**–**	–
	25,022,724	22,275,252	**12,690,848**	11,536,214
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	25,022,712	22,275,231	**12,690,836**	11,536,193
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**538,510**	648,563	**298,837**	322,098
Manufacturing	**1,232,649**	1,501,931	**847,650**	945,079
Building and construction	**1,388,767**	1,596,253	**621,423**	614,604
General commerce	**558,137**	674,432	**447,960**	543,486
Transport, storage and communication	**1,849,059**	1,720,419	**1,117,538**	940,481
Financial institutions, investment and holding companies	**19,965,036**	16,192,145	**8,970,506**	7,842,610
Others	**3,719,969**	3,851,559	**1,967,461**	1,327,564
	29,252,127	26,185,302	**14,271,375**	12,535,922
By issuer				
Public sector	**2,306,761**	1,795,822	**1,635,823**	993,881
Banks	**9,300,432**	8,664,383	**4,361,079**	4,088,931
Corporations	**16,965,943**	14,303,717	**7,824,297**	7,214,696
Others	**678,991**	1,421,380	**450,176**	238,414
	29,252,127	26,185,302	**14,271,375**	12,535,922
By geography				
Singapore	**3,399,479**	3,020,257	**824,076**	851,944
Malaysia	**1,381,972**	2,007,275	**149,142**	288,324
Indonesia	**1,521,038**	1,126,214	**806,815**	598,531
Greater China	**9,102,916**	8,349,933	**3,959,898**	3,620,168
Other Asia Pacific	**4,924,917**	4,808,329	**3,638,820**	3,469,807
Rest of the World	**8,921,805**	6,873,294	**4,892,624**	3,707,148
	29,252,127	26,185,302	**14,271,375**	12,535,922

The analysis by geography is determined based on country of incorporation.

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30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2018	457	677	1,249	2,383
Transfer to Stage 1	595	(567)	(28)	–
Transfer to Stage 2	(92)	128	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement [1]	(696)	439	330	73
New financial assets originated or purchased	606	218	–	824
Financial assets that have been derecognised	(407)	(258)	–	(665)
Changes in models [2]	36	–	–	36
Write-offs	–	–	(425)	(425)
Foreign exchange and other movements	(5)	3	11	9
At 31 December 2018/1 January 2019	**491**	**523**	**1,221**	**2,235**
Transfer to Stage 1	**474**	**(446)**	**(28)**	**–**
Transfer to Stage 2	**(104)**	**149**	**(45)**	**–**
Transfer to Stage 3	**(4)**	**(186)**	**190**	**–**
Remeasurement [1]	**(563)**	**514**	**714**	**665**
New financial assets originated or purchased	**545**	**239**	**–**	**784**
Financial assets that have been derecognised	**(374)**	**(216)**	**–**	**(590)**
Changes in models [2]	**4**	**–**	**–**	**4**
Write-offs	**–**	**–**	**(642)**	**(642)**
Foreign exchange and other movements	**1**	**1**	**(13)**	**(11)**
At 31 December 2019	**470**	**578**	**1,397**	**2,445**
BANK				
At 1 January 2018	206	514	955	1,675
Transfer to Stage 1	423	(418)	(5)	–
Transfer to Stage 2	(52)	75	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement [1]	(518)	305	227	14
New financial assets originated or purchased	326	145	–	471
Financial assets that have been derecognised	(219)	(190)	–	(409)
Changes in models [2]	34	–	–	34
Write-offs	–	–	(287)	(287)
Foreign exchange and other movements	–	5	19	24
At 31 December 2018/1 January 2019	**198**	**375**	**949**	**1,522**
Transfer to Stage 1	**348**	**(330)**	**(18)**	**–**
Transfer to Stage 2	**(61)**	**89**	**(28)**	**–**
Transfer to Stage 3	**(2)**	**(128)**	**130**	**–**
Remeasurement [1]	**(361)**	**319**	**490**	**448**
New financial assets originated or purchased	**302**	**170**	**–**	**472**
Financial assets that have been derecognised	**(201)**	**(147)**	**–**	**(348)**
Changes in models [2]	**2**	**–**	**–**	**2**
Write-offs	**–**	**–**	**(478)**	**(478)**
Foreign exchange and other movements	**(1)**	**–**	**(10)**	**(11)**
At 31 December 2019	**224**	**348**	**1,035**	**1,607**

(1) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*
(2) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

30. Allowances for Financial Assets (continued)

Analysed by Main Class of Financial Instruments

Loans and bills receivable at amortised cost [1]

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2018	433	655	1,236	2,324
Transfer to Stage 1	580	(552)	(28)	–
Transfer to Stage 2	(91)	127	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement [2]	(689)	437	329	77
New financial assets originated or purchased	563	212	–	775
Financial assets that have been derecognised	(361)	(246)	–	(607)
Changes in models [3]	36	–	–	36
Write-offs	–	–	(413)	(413)
Foreign exchange and other movements	(2)	2	11	11
At 31 December 2018/1 January 2019	**466**	**518**	**1,219**	**2,203**
Transfer to Stage 1	**471**	**(443)**	**(28)**	**–**
Transfer to Stage 2	**(103)**	**148**	**(45)**	**–**
Transfer to Stage 3	**(5)**	**(186)**	**191**	**–**
Remeasurement [2]	**(544)**	**512**	**713**	**681**
New financial assets originated or purchased	**517**	**239**	**–**	**756**
Financial assets that have been derecognised	**(352)**	**(214)**	**–**	**(566)**
Changes in models [3]	**3**	**–**	**–**	**3**
Write-offs	**–**	**–**	**(642)**	**(642)**
Foreign exchange and other movements	**2**	**1**	**(13)**	**(10)**
At 31 December 2019	**455**	**575**	**1,395**	**2,425**
BANK				
At 1 January 2018	191	495	947	1,633
Transfer to Stage 1	408	(403)	(5)	–
Transfer to Stage 2	(51)	74	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement [2]	(513)	305	227	19
New financial assets originated or purchased	294	144	–	438
Financial assets that have been derecognised	(179)	(184)	–	(363)
Changes in models [3]	34	–	–	34
Write-offs	–	–	(279)	(279)
Foreign exchange and other movements	2	4	19	25
At 31 December 2018/1 January 2019	**184**	**374**	**949**	**1,507**
Transfer to Stage 1	**348**	**(330)**	**(18)**	**–**
Transfer to Stage 2	**(61)**	**89**	**(28)**	**–**
Transfer to Stage 3	**(2)**	**(128)**	**130**	**–**
Remeasurement [2]	**(353)**	**319**	**490**	**456**
New financial assets originated or purchased	**282**	**170**	**–**	**452**
Financial assets that have been derecognised	**(184)**	**(147)**	**–**	**(331)**
Changes in models [3]	**1**	**–**	**–**	**1**
Write-offs	**–**	**–**	**(478)**	**(478)**
Foreign exchange and other movements	**–**	**–**	**(10)**	**(10)**
At 31 December 2019	**215**	**347**	**1,035**	**1,597**

(1) *Includes ECL on contingent liabilities and other credit commitments.*
(2) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*
(3) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

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30. Allowances for Financial Assets (continued)

The following tables set out information about the credit quality of financial assets.

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP								
Cash and placements with central banks (Note 23)								
Pass	**22,267**	**36**	**–**	**22,303**	17,846	74	–	17,920
Loss allowances	**(#)**	**(1)**	**–**	**(1)**	(1)	(1)	–	(2)
Carrying amount	**22,267**	**35**	**–**	**22,302**	17,845	73	–	17,918
Government treasury bills and securities – Amortised cost (Note 24)								
Pass	**410**	**–**	**–**	**410**	374	–	–	374
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**410**	**–**	**–**	**410**	374	–	–	374
Government treasury bills and securities – FVOCI [1] (Note 24)								
Pass	**23,672**	**–**	**–**	**23,672**	23,485	–	–	23,485
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 25)								
Pass	**22,719**	**137**	**–**	**22,856**	25,139	328	–	25,467
Loss allowances	**(8)**	**(1)**	**–**	**(9)**	(12)	(1)	–	(13)
Carrying amount	**22,711**	**136**	**–**	**22,847**	25,127	327	–	25,454
Placements with and loans to banks – FVOCI [1] (Note 25)								
Pass	**11,024**	**–**	**–**	**11,024**	10,391	685	–	11,076
Loss allowances	**(1)**	**–**	**–**	**(1)**	(1)	(1)	–	(2)
Loans and bills receivable – Amortised cost (Note 26)								
Pass	**244,135**	**14,070**	**–**	**258,205**	236,831	14,236	–	251,067
Special mention	**–**	**2,550**	**–**	**2,550**	–	2,527	–	2,527
Substandard	**–**	**–**	**2,310**	**2,310**	–	–	2,312	2,312
Doubtful	**–**	**–**	**1,094**	**1,094**	–	–	1,145	1,145
Loss	**–**	**–**	**434**	**434**	–	–	381	381
	244,135	**16,620**	**3,838**	**264,593**	236,831	16,763	3,838	257,432
Loss allowances	**(317)**	**(436)**	**(1,390)**	**(2,143)**	(319)	(405)	(1,213)	(1,937)
Carrying amount	**243,818**	**16,184**	**2,448**	**262,450**	236,512	16,358	2,625	255,495
Debt securities – Amortised cost (Note 29)								
Pass	**65**	**–**	**–**	**65**	92	–	–	92
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**65**	**–**	**–**	**65**	92	–	–	92

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

(2) *# represents amounts less than $0.5 million.*

30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP (continued)								
Debt securities – FVOCI [1] (Note 29)								
Pass	**20,570**	**257**	**–**	**20,827**	18,221	165	–	18,386
Doubtful	**–**	**–**	**2**	**2**	–	–	2	2
	20,570	**257**	**2**	**20,829**	18,221	165	2	18,388
Loss allowances	**(6)**	**(1)**	**(2)**	**(9)**	(11)	(2)	(2)	(15)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments and contingent liabilities								
Pass	**87,145**	**4,909**	**–**	**92,054**	97,859	4,286	–	102,145
Special mention	**–**	**557**	**–**	**557**	–	466	–	466
Substandard	**–**	**–**	**881**	**881**	–	–	657	657
Doubtful	**–**	**–**	**429**	**429**	–	–	402	402
Loss	**–**	**–**	**254**	**254**	–	–	304	304
	87,145	**5,466**	**1,564**	**94,175**	97,859	4,752	1,363	103,974
Allowances for contingent liabilities and credit commitments	**(138)**	**(139)**	**(5)**	**(282)**	(147)	(113)	(6)	(266)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

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30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK								
Cash and placements with central banks (Note 23)								
Pass	17,339	35	–	17,374	13,188	74	–	13,262
Loss allowances	(#)	(1)	–	(1)	(#)	(1)	–	(1)
Carrying amount	17,339	34	–	17,373	13,188	73	–	13,261
Government treasury bills and securities – Amortised cost (Note 24)								
Pass	410	–	–	410	374	–	–	374
Loss allowances	(#)	–	–	(#)	(#)	–	–	(#)
Carrying amount	410	–	–	410	374	–	–	374
Government treasury bills and securities – FVOCI [1] (Note 24)								
Pass	13,256	–	–	13,256	14,021	–	–	14,021
Loss allowances	(#)	–	–	(#)	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 25)								
Pass	18,277	137	–	18,414	20,240	164	–	20,404
Loss allowances	(6)	(#)	–	(6)	(11)	(#)	–	(11)
Carrying amount	18,271	137	–	18,408	20,229	164	–	20,393
Placements with and loans to banks – FVOCI [1] (Note 25)								
Pass	7,701	–	–	7,701	6,014	149	–	6,163
Loss allowances	(1)	–	–	(1)	(#)	(#)	–	(#)
Loans and bills receivable – Amortised cost (Note 26)								
Pass	152,568	9,075	–	161,643	145,918	7,509	–	153,427
Special mention	–	1,675	–	1,675	–	1,859	–	1,859
Substandard	–	–	1,780	1,780	–	–	1,758	1,758
Doubtful	–	–	705	705	–	–	925	925
Loss	–	–	186	186	–	–	184	184
	152,568	10,750	2,671	165,989	145,918	9,368	2,867	158,153
Loss allowances	(138)	(247)	(1,035)	(1,420)	(118)	(288)	(944)	(1,350)
Carrying amount	152,430	10,503	1,636	164,569	145,800	9,080	1,923	156,803
Debt securities – Amortised cost (Note 29)								
Pass	65	–	–	65	92	–	–	92
Loss allowances	(#)	–	–	(#)	(#)	–	–	(#)
Carrying amount	65	–	–	65	92	–	–	92

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

(2) *# represents amounts less than $0.5 million.*

30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK (continued)								
Debt securities – FVOCI [1] (Note 29)								
Pass	9,462	92	–	9,554	8,506	#	–	8,506
Loss allowances	(2)	(#)	–	(2)	(3)	(#)	–	(3)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments and contingent liabilities								
Pass	76,088	3,735	–	79,823	68,923	2,640	–	71,563
Special mention	–	443	–	443	–	337	–	337
Substandard	–	–	869	869	–	–	633	633
Doubtful	–	–	342	342	–	–	385	385
Loss	–	–	248	248	–	–	260	260
	76,088	4,178	1,459	81,725	68,923	2,977	1,278	73,178
Allowances for contingent liabilities and credit commitments	(77)	(100)	–	(177)	(66)	(86)	(5)	(157)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

(2) *# represents amounts less than $0.5 million.*

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31. Other Assets

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Interest receivable	**1,151,295**	1,162,341	**709,198**	725,009
Sundry debtors (net)	**654,413**	553,941	**72,128**	57,999
Deposits and prepayments	**1,610,687**	931,349	**1,253,445**	581,469
Others	**992,481**	827,625	**407,806**	293,027
	4,408,876	3,475,256	**2,442,577**	1,657,504

At 31 December 2019, reinsurance assets included in "Others" amounted to $204.5 million (2018: $177.3 million) for the Group.

32. Allowances for Other Impaired Assets

GROUP ($ million)	Associates	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2018	–	64	2	5	71
Currency translation	–	(#)	–	(#)	(#)
Amounts written off	(13)	(#)	–	(1)	(14)
Impairment charge/(write-back) to income statements	13	#	(#)	(3)	10
Impairment charge to profit from life insurance	–	#	–	–	#
Transfers from other accounts	–	–	–	3	3
At 31 December 2018/1 January 2019	**–**	**64**	**2**	**4**	**70**
Currency translation	**–**	**(#)**	**–**	**(#)**	**(#)**
Amounts written off	**–**	**(#)**	**–**	**(#)**	**(#)**
Impairment charge/(write-back) to income statements	**–**	**#**	**(1)**	**3**	**2**
Transfers from other accounts	**–**	**–**	**–**	**#**	**#**
At 31 December 2019	**–**	**64**	**1**	**7**	**72**
		(Note 35)	(Note 36)		

(1) # represents amounts less than $0.5 million.

BANK ($ million)	Associates and subsidiaries	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2018	26	1	2	1	30
Currency translation	1	–	–	–	1
Amounts written off	(50)	–	–	(#)	(50)
Impairment charge/(write-back) to income statements	37	–	(#)	(#)	37
At 31 December 2018/1 January 2019	**14**	**1**	**2**	**1**	**18**
Currency translation	**(#)**	**–**	**–**	**–**	**(#)**
Amounts written off	**–**	**–**	**–**	**(1)**	**(1)**
Impairment charge/(write-back) to income statements	**4**	**–**	**(1)**	**#**	**3**
At 31 December 2019	**18**	**1**	**1**	**#**	**20**
	(Notes 33-34)	(Note 35)	(Note 36)		

(1) # represents amounts less than $0.5 million.

33. Associates

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Quoted equity security, at cost	**1,765,594**	1,459,670	**1,321,618**	1,015,694
Unquoted equity securities, at cost	**144,709**	145,218	**65,096**	65,096
	1,910,303	1,604,888	**1,386,714**	1,080,790
Share of post-acquisition reserves	**1,652,448**	1,192,391	**–**	–
Net carrying amount	**3,562,751**	2,797,279	**1,386,714**	1,080,790
Unquoted convertible securities, at cost	**–**	305,924	**–**	305,924
Amounts due from associates (unsecured)	**75,019**	79,612	**73,694**	1
Allowances for non-impaired amounts due from associates	**(14)**	(1)	**(12)**	–
	75,005	79,611	**73,682**	1
Investments in and amounts due from associates	**3,637,756**	3,182,814	**1,460,396**	1,386,715

33.1 List of Principal Associates

The Group applied equity method for all its investments in associates.

The Group's principal associates are as follows:

Name of associates	Country of incorporation/ Principal place of business	Nature of the relationship with the Group	Effective % interest held [3] 2019	Effective % interest held [3] 2018
Quoted				
Bank of Ningbo Co., Ltd. [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
Maxwealth Fund Management Company Limited [1]	People's Republic of China	A privately held asset manager that manufactures and distributes mutual funds in Greater China.	**29**	29
Network for Electronic Transfers (Singapore) Pte Ltd [2]	Singapore	Provides electronic payment services, which enables the Group to extend funds transfer services to its broad customer base.	**33**	33

(1) *Audited by Ernst & Young.*
(2) *Audited by KPMG LLP.*
(3) *Rounded to the nearest percentage.*

During the financial year, the Group subscribed to 84 million Bank of Ningbo shares arising from the exercise of the option under the convertible bond with carrying amount of $306 million.

As at 31 December 2019, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $6.12 billion (2018: $3.36 billion). The carrying amount of the Group's interests was $3.30 billion (2018: $2.57 billion).

As Bank of Ningbo is listed on the Shenzhen Stock Exchange, the entity's ability to transfer funds to the Group is subject to local listing and statutory regulations.

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33. Associates (continued)

33.2 Financial Information of Material Associate

The table below provides the financial information of the Group's material associate:

	Bank of Ningbo Co., Ltd.	
$ million	2019	2018
Selected income statement information		
Revenue	**6,928**	5,896
Net profit from continuing operations	**2,723**	2,284
Other comprehensive income	**546**	565
Total comprehensive income	**3,269**	2,849
Selected balance sheet information		
Current assets	**187,980**	160,857
Non-current assets	**60,482**	61,381
Current liabilities	**(213,767)**	(176,634)
Non-current liabilities	**(15,246)**	(29,424)
Net assets	**19,449**	16,180
Non-controlling interests	**(82)**	(70)
Preference shares/other equity instruments issued	**(2,860)**	(3,233)
Net assets attributable to ordinary shareholders	**16,507**	12,877
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements		
Group's interests in net assets of investee at beginning of the year	**2,565**	2,070
Group's share of:		
– net profit from continuing operations	**533**	447
– other comprehensive income	**(17)**	27
– total comprehensive income	**516**	474
Dividends	**(86)**	(81)
Conversion of convertible securities	**306**	102
Carrying amount of interest in investee at end of the year	**3,301**	2,565
Dividends received/receivable during the year	**86**	81

In addition to the interests in associate disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

$ million	2019	2018
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**262**	232
For the year ended:		
Aggregate amounts of the Group's share of:		
Net profit from continuing operations	**34**	9
Other comprehensive income	**4**	(12)
Total comprehensive income	**38**	(3)
Dividends received during the year	**#**	9

(1) *# represents amounts less than $0.5 million.*

The Group's share of contingent liabilities in respect of all its associates is as follows:

$ million	2019	2018
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**7,084**	5,612

34. Subsidiaries

	BANK	
	2019 $'000	2018 $'000
Investments in subsidiaries, at cost		
Quoted securities	**1,970,185**	1,970,185
Unquoted securities	**13,134,224**	12,927,879
Allowance for impairment (Note 32)	**(18,033)**	(14,189)
Net carrying amount	**15,086,376**	14,883,875
Amount due from subsidiaries		
Term to maturity of one year or less	**10,417,361**	15,115,453
Term to maturity of more than one year	**7,655,276**	7,692,657
	18,072,637	22,808,110
Of which:		
Unsecured	**17,431,637**	22,214,110
Secured	**641,000**	594,000
	18,072,637	22,808,110
Investments in and amount due from subsidiaries	**33,159,013**	37,691,985

At 31 December 2019, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $9.01 billion (2018: $10.29 billion) and $1.60 billion (2018: $1.56 billion) respectively.

34.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) (3) 2019	2018	Proportion of ownership interests and voting rights held by non-controlling interests (%) (3) 2019	2018
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk (1)	Indonesia	**85**	85	**15**	15
Insurance					
Great Eastern General Insurance Limited (2)	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (Malaysia) Berhad (2)	Malaysia	**88**	88	**12**	12
Great Eastern Life Assurance (Malaysia) Berhad (2)	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited (2)	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited (2)	Singapore	**92**	92	**8**	8
Great Eastern Holdings Limited (2)	Singapore	**88**	88	**12**	12
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.

(1) *Audited by PricewaterhouseCoopers.*

(2) *Audited by Ernst & Young.*

(3) *Rounded to the nearest percentage.*

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34. Subsidiaries (continued)

34.1 List of Principal Subsidiaries (continued)

The Group's subsidiaries do not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from their respective local statutory, regulatory, supervisory and banking requirements within which its subsidiaries operate. These requirements require the Group's subsidiaries to maintain minimum levels of regulatory capital, liquid assets, and exposure limits. In addition, Great Eastern Holdings Limited and other insurance subsidiaries are subject to their respective local insurance laws and regulations, while the Group's banking subsidiaries are subject to prudential regulatory requirements imposed by local regulators.

34.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2019	2018	2019	2018
Net assets attributable to NCI	**383**	338	**1,031**	911
Total comprehensive income attributable to NCI	**46**	21	**133**	30
Dividends paid to NCI during the year	**–**	–	**34**	40
Summarised financial information				
Total assets	**17,071**	15,831	**96,506**	85,042
Total liabilities	**(14,504)**	(13,570)	**(87,804)**	(77,520)
Total net assets	**2,567**	2,261	**8,702**	7,522
Revenue	**832**	762	**18,640**	12,095
Profit	**208**	269	**1,022**	750
Other comprehensive income	**25**	(128)	**454**	(502)
Total comprehensive income	**233**	141	**1,476**	248
Cash flows provided by/(used in) operating activities	**449**	782	**3,693**	4,137
Cash flows provided by/(used in) investing activities	**286**	(714)	**(2,829)**	(3,382)
Cash flows provided by/(used in) financing activities	**(237)**	32	**(306)**	(340)
Effect of currency translation reserve adjustment	**(#)**	19	**(47)**	(75)
Net changes in cash and cash equivalents	**498**	119	**511**	340

(1) *# represents amounts less than $0.5 million.*

34.3 Acquisition of Subsidiary

On 2 May 2019 (the acquisition date), GEH Group's subsidiary company, Great Eastern General Insurance Limited (GEG) acquired 95% of the share capital of PT QBE General Insurance Indonesia (PT QBE), a general insurance company in Indonesia, for a cash consideration of USD29.9 million (approximately S$40.7 million). Upon the acquisition, PT QBE became a subsidiary of GEH Group.

On 17 May 2019, PT QBE changed its name to PT Great Eastern General Insurance Indonesia (GEGI).

GEH Group has acquired GEGI to be better positioned to comprehensively provide both general and life insurance solutions to the business community and consumers and deepen its footprint in Indonesia.

34. Subsidiaries (continued)

34.3 Acquisition of Subsidiary (continued)

GEH Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of GEGI's net identifiable assets.

The fair value of the identifiable assets and liabilities of GEGI as at the acquisition date were:

$ million	2019
Identifiable assets and liabilities	
Cash and placements with central banks	**57.2**
Investments	**16.0**
Deferred tax assets	**4.7**
Other assets	**37.3**
Property, plant and equipment	**1.3**
Total assets	**116.5**
Current tax liabilities	**(0.6)**
Other liabilities	**(75.4)**
	(76.0)
Net identifiable assets acquired	**40.5**
Less: Non-controlling interests	**(2.0)**
	38.5
Goodwill (Note 37)	**2.3**
Cost of acquisition	**40.8**
Less: Cash and cash equivalents in GEGI	**(57.2)**
Net cash inflow arising from business combination	**16.4**

34.4 Consolidated Structured Entities

The Bank has established a USD10 billion Global Covered Bond Programme (the Programme). Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. (the CBG). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore home loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

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35. Property, Plant and Equipment

	2019				2018			
GROUP ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	3,372,705	2,207,194	615,816	6,195,715	3,284,332	2,015,553	586,696	5,886,581
Effect of adopting SFRS(I) 16	198,684	7,144	1,135	206,963	–	–	–	–
Adjusted balance at 1 January	3,571,389	2,214,338	616,951	6,402,678	3,284,332	2,015,553	586,696	5,886,581
Currency translation	(13,105)	206	(1,629)	(14,528)	17,920	(2,584)	(960)	14,376
Acquisitions	889	274	185	1,348	–	–	–	–
Additions	205,559	296,823	41,128	543,510	21,002	225,206	50,298	296,506
Disposals/terminations and other transfers	(16,285)	(17,881)	(15,954)	(50,120)	(2,106)	(30,981)	(19,770)	(52,857)
Net transfer (to)/from:								
Assets held for sale	–	–	(115)	(115)	–	–	(448)	(448)
Investment property (Note 36)	4,510	–	–	4,510	51,557	–	–	51,557
At 31 December	3,752,957	2,493,760	640,566	6,887,283	3,372,705	2,207,194	615,816	6,195,715
Accumulated depreciation								
At 1 January	(737,379)	(1,587,997)	(469,262)	(2,794,638)	(644,817)	(1,399,086)	(446,909)	(2,490,812)
Currency translation	2,300	726	1,358	4,384	858	2,356	1,246	4,460
Disposals/terminations and other transfers	7,935	12,733	20,128	40,796	691	29,661	18,122	48,474
Depreciation charge	(146,492)	(195,180)	(34,969)	(376,641)	(69,020)	(188,497)	(36,261)	(293,778)
Depreciation charge to profit from life insurance (Note 4)	(21,820)	(36,119)	(7,162)	(65,101)	(12,343)	(32,431)	(5,898)	(50,672)
Net transfer to/(from):								
Assets held for sale	–	–	109	109	–	–	438	438
Investment property (Note 36)	(4,259)	–	–	(4,259)	(12,748)	–	–	(12,748)
At 31 December	(899,715)	(1,805,837)	(489,798)	(3,195,350)	(737,379)	(1,587,997)	(469,262)	(2,794,638)
Accumulated impairment losses (Note 32)								
At 1 January	(63,040)	(63)	(538)	(63,641)	(63,044)	(63)	(543)	(63,650)
Currency translation	28	–	–	28	24	–	–	24
Disposals and other transfers	–	–	3	3	–	–	8	8
Impairment charge to income statements	–	–	(7)	(7)	–	–	(3)	(3)
Impairment charge to profit from life insurance	–	–	–	–	(20)	–	–	(20)
At 31 December	(63,012)	(63)	(542)	(63,617)	(63,040)	(63)	(538)	(63,641)
Net carrying amount, at 31 December [(1)]	2,790,230	687,860	150,226	3,628,316	2,572,286	619,134	146,016	3,337,436
Freehold property	436,704				437,283			
Leasehold property	2,053,563				2,135,003			
Net carrying amount	2,490,267				2,572,286			
Fair value hierarchy								
Level 2	694,020				571,848			
Level 3	4,731,744				4,739,759			
Market value	5,425,764				5,311,607			

(1) *Includes ROU assets comprising property-related of $300.0 million, computer-related of $4.6 million and others of $2.2 million as at 31 December 2019.*

35. Property, Plant and Equipment (continued)

	2019				2018			
BANK ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	326,168	1,169,968	184,007	1,680,143	338,383	1,092,312	177,487	1,608,182
Effect of adopting SFRS(I) 16	55,383	4,985	367	60,735	–	–	–	–
Adjusted balance at 1 January	381,551	1,174,953	184,374	1,740,878	338,383	1,092,312	177,487	1,608,182
Currency translation	(107)	15	20	(72)	13	(21)	(136)	(144)
Additions	34,060	157,952	11,485	203,497	7	95,746	9,618	105,371
Disposals/terminations and other transfers	(2,360)	(580)	(4,834)	(7,774)	–	(18,069)	(2,962)	(21,031)
Net transfer from/(to) investment property (Note 36)	3,294	–	–	3,294	(12,235)	–	–	(12,235)
At 31 December	416,438	1,332,340	191,045	1,939,823	326,168	1,169,968	184,007	1,680,143
Accumulated depreciation								
At 1 January	(91,602)	(862,163)	(148,615)	(1,102,380)	(88,415)	(763,673)	(140,911)	(992,999)
Currency translation	(24)	(6)	(24)	(54)	(10)	18	114	122
Disposals/terminations and other transfers	1,297	2,212	4,333	7,842	–	16,949	2,792	19,741
Depreciation charge	(32,853)	(116,731)	(10,399)	(159,983)	(7,494)	(115,457)	(10,610)	(133,561)
Net transfer (from)/to investment property (Note 36)	(636)	–	–	(636)	4,317	–	–	4,317
At 31 December	(123,818)	(976,688)	(154,705)	(1,255,211)	(91,602)	(862,163)	(148,615)	(1,102,380)
Accumulated impairment losses (Note 32)								
At 1 January/31 December	(820)	–	–	(820)	(820)	–	–	(820)
Net carrying amount, at 31 December [(1)]	291,800	355,652	36,340	683,792	233,746	307,805	35,392	576,943
Freehold property	43,152				43,811			
Leasehold property	185,442				189,935			
Net carrying amount	228,594				233,746			
Fair value hierarchy								
Level 2	478,350				417,717			
Level 3	220,887				274,787			
Market value	699,237				692,504			

(1) *Includes ROU assets comprising property-related of $63.2 million, computer-related of $3.1 million and others of $0.3 million as at 31 December 2019.*

Market values for properties under Level 2 of the fair value hierarchy are determined based on the direct market comparison method. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of direct market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

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36. Investment Property

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost				
At 1 January	**1,116,857**	1,180,548	**657,732**	654,338
Currency translation	**(2,650)**	(1,419)	**–**	79
Additions	**18,161**	691	**4,056**	1,015
Disposals and other transfers	**(64,334)**	(9,385)	**(62,839)**	(9,935)
Net transfer (to)/from:				
Property, plant and equipment (Note 35)	**(4,510)**	(51,557)	**(3,294)**	12,235
Assets held for sale	**(7,594)**	(2,021)	**(3,158)**	–
At 31 December	**1,055,930**	1,116,857	**592,497**	657,732
Accumulated depreciation				
At 1 January	**(234,152)**	(228,685)	**(130,930)**	(121,686)
Currency translation	**699**	348	**–**	(35)
Disposals and other transfers	**28,354**	4,104	**25,930**	4,325
Depreciation charge	**(20,108)**	(22,866)	**(8,999)**	(9,217)
Net transfer to/(from):				
Property, plant and equipment (Note 35)	**4,259**	12,748	**636**	(4,317)
Assets held for sale	**4,789**	199	**1,489**	–
At 31 December	**(216,159)**	(234,152)	**(111,874)**	(130,930)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,217)**	(2,397)	**(2,217)**	(2,397)
Write-back to income statement	**1,244**	180	**1,244**	180
At 31 December	**(973)**	(2,217)	**(973)**	(2,217)
Net carrying amount				
Freehold property	**570,255**	613,006	**162,525**	195,780
Leasehold property	**268,543**	267,482	**317,125**	328,805
At 31 December	**838,798**	880,488	**479,650**	524,585
Fair value hierarchy				
Level 2	**1,056,832**	1,160,663	**288,455**	384,901
Level 3	**1,804,951**	1,797,621	**1,130,435**	1,099,433
Market value	**2,861,783**	2,958,284	**1,418,890**	1,484,334

A description of the valuation methods is provided in Note 35.

37. Goodwill and Intangible Assets

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Goodwill				
At 1 January	**4,478,591**	4,450,790	**1,867,176**	1,867,176
Acquisition (Note 34.3)	**2,309**	–	**–**	–
Currency translation	**(12,824)**	27,801	**–**	–
At 31 December	**4,468,076**	4,478,591	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**613,947**	709,050		
Acquisition	**3,453**	–		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(41,203)**	(40,757)		
– Customer relationships [2]	**(14,936)**	(14,783)		
– Distribution platform	**(44)**	–		
– Life insurance business [3]	**(46,636)**	(46,636)		
Currency translation	**(2,758)**	7,073		
At 31 December	**511,823**	613,947		
Total goodwill and intangible assets	**4,979,899**	5,092,538	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,468,076**	4,478,591	**1,867,176**	1,867,176
Intangible assets, at cost	**1,569,658**	1,572,055	**–**	–
Accumulated amortisation for intangible assets	**(1,057,835)**	(958,108)	**–**	–
	4,979,899	5,092,538	**1,867,176**	1,867,176

(1) *Core deposit relationships, arising from the acquisition of OCBC Wing Hang, are determined to have an estimated useful life of 10 years. At 31 December 2019, these have a remaining useful life of 4.5 years (2018: 5.5 years).*

(2) *Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2019, these have a remaining useful life of up to 7 years (2018: 8 years).*

(3) *The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2019, the intangible asset has a remaining useful life of 5 years (2018: 6 years).*

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37. Goodwill and Intangible Assets (continued)

Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's CGU identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		844,497	844,497
Global Corporate Banking		570,000	570,000
Global Treasury		524,000	524,000
	Value-in-use	1,938,497	1,938,497
Great Eastern Holdings Limited	Appraisal value	427,460	427,460
Bank of Singapore Limited	Value-in-use	811,470	822,239
Lion Global Investors Limited	Value-in-use	29,635	29,635
OCBC Wing Hang Bank Limited	Value-in-use	1,072,519	1,080,060
PT Bank OCBC NISP Tbk	Value-in-use	178,913	173,412
Others	Value-in-use	9,582	7,288
		4,468,076	4,478,591

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The cash flow projections are discounted at a pre-tax discount rate that includes a reasonable risk premium at the date of assessment of the respective CGU. Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rate for each CGU used does not exceed management's expectation of the long term average growth rate of the respective industry and country in which the CGU operates. The discount rates and terminal growth rates used are tabulated below for applicable CGUs.

	Banking CGU		Bank of Singapore Limited		OCBC Wing Hang Bank Limited		PT Bank OCBC NISP Tbk	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	7.7%	8.8%	9.8%	11.3%	8.8%	10.0%	12.8%	12.7%
Terminal growth rate	2.0%	2.0%	2.0%	2.0%	2.6%	3.0%	4.0%	4.0%

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life insurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 7.00% (2018: 7.00%) and 8.75% (2018: 8.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales.

38. Segment Information

38.1 Business Segments

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2019							
Net interest income	2,087	2,708	589	850	112	(15)	6,331
Non-interest income	1,653	910	276	265	1,358	78	4,540
Total income	3,740	3,618	865	1,115	1,470	63	10,871
Operating profit before allowances and amortisation	1,496	2,454	587	523	1,115	52	6,227
Amortisation of intangible assets	(15)	–	–	(41)	(47)	–	(103)
Allowances for loans and other assets	(36)	(801)	3	(59)	(#)	3	(890)
Operating profit after allowances and amortisation	1,445	1,653	590	423	1,068	55	5,234
Other information:							
Capital expenditure	113	8	1	35	183	222	562
Depreciation	85	11	2	75	8	216	397
At 31 December 2019							
Segment assets	112,959	148,224	82,198	52,406	97,158	18,365	511,310
Unallocated assets							1,727
Elimination							(21,346)
Total assets							491,691
Segment liabilities	136,795	115,353	57,095	43,552	85,703	22,853	461,351
Unallocated liabilities							3,083
Elimination							(21,346)
Total liabilities							443,088
Other information:							
Gross non-bank loans	93,268	141,616	1,258	33,050	9	(4,428)	264,773
NPAs (include debt securities)	548	3,258	–	133	2	(58)	3,883

(1) *# represents amounts less than $0.5 million.*

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38. Segment Information (continued)

38.1 Business Segments (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2018							
Net interest income	1,909	2,587	622	823	79	(130)	5,890
Non-interest income	1,513	827	137	302	993	39	3,811
Total income	3,422	3,414	759	1,125	1,072	(91)	9,701
Operating profit before allowances and amortisation	1,367	2,316	494	570	852	(112)	5,487
Amortisation of intangible assets	(15)	–	–	(41)	(46)	–	(102)
Allowances for loans and other assets	(39)	(265)	(2)	(32)	5	45	(288)
Operating profit after allowances and amortisation	1,313	2,051	492	497	811	(67)	5,097
Other information:							
Capital expenditure	58	4	#	20	58	157	297
Depreciation	42	8	1	64	6	196	317
At 31 December 2018							
Segment assets	111,730	139,597	78,818	56,693	85,745	19,045	491,628
Unallocated assets							1,292
Elimination							(25,377)
Total assets							467,543
Segment liabilities	128,106	113,058	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 (include debt securities)	568	3,309	–	211	2	(152)	3,938

(1) *# represents amounts less than $0.5 million.*

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, OCBC Wing Hang and Insurance.

Global Consumer/Private Banking

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

Global Corporate/Investment Banking

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking 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.

38. Segment Information (continued)

38.1 Business Segments (continued)

Global Treasury and Markets

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

OCBC Wing Hang

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

Insurance

The Group's insurance business, including its fund management activities, is undertaken by the Bank's subsidiary Great Eastern Holdings Limited and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

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

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:
(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments.

38.2 Geographical Segments

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2019					
Singapore	6,552	3,221	397	287,129	283,312
Malaysia	1,469	830	56	65,584	54,387
Indonesia	849	274	28	17,900	14,639
Greater China	1,494	1,154	59	81,684	54,544
Other Asia Pacific	224	156	4	16,264	9,426
Rest of the World	283	165	18	23,130	26,780
	10,871	5,800	562	491,691	443,088
2018					
Singapore	5,552	2,975	189	271,142	266,595
Malaysia	1,457	913	43	66,173	52,732
Indonesia	769	354	32	16,481	13,945
Greater China	1,477	1,037	30	80,917	53,711
Other Asia Pacific	212	158	1	14,114	8,788
Rest of the World	234	115	2	18,716	28,380
	9,701	5,552	297	467,543	424,151

The Group's operations are in six main geographical areas. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

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39. Risk Management

39.1 Overview

The Group's risk management framework encompasses good governance, sound policies, robust lines of defence, right expertise as well as significant investments in technology, underpinned by a corporate culture that demands accountability and ownership as well as high ethical standards. This ensures that the risks being taken are:

- consistent with our corporate strategy and within established risk appetite;
- well-understood, evaluated and supported by robust quantitative analyses and stress testing;
- adequately compensated by expected returns;
- managed holistically by evaluating risk interactions across the different risk types;
- reviewed by an independent risk function with adequate resources, authority and expertise; and
- accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

The Board of Directors (Board) has the ultimate responsibility for the effective management of risk and establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy.

The Board Risk Management Committee (BRMC) is the designated board committee to ensure that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. Based on the approved risk appetite, BRMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, Chief Executive Officer (CEO) and BRMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

The Bank has an independent risk management function, Group Risk Management Division (GRM), headed by the Group Chief Risk Officer (CRO), who reports to the BRMC and CEO. GRM is an independent risk and control oversight function that principally executes the risk management framework and principles. It provides risk committees, the BRMC and the Board regular risk reports and updates on material information with regard to risks. Functions in GRM are primarily organised by major risk types. Risk management staff work closely with the business and other support units to ensure that risks are well managed. GRM also oversees the Group's data management via a framework that comprises data policies, standards and controls. The objective is to ensure the quality of critical risk data and the ability of the Bank to effectively aggregate such data for accurate and timely risk reporting. In addition, it oversees the New Product Approval Process (NPAP) to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated, including compliance with regulatory requirements and adequacy of resources to support the new product and services.

39. Risk Management (continued)

39.2 Credit Risk

Credit risk is the risk of loss of principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations as originally scheduled or a change in the credit profile of the obligor or counterparty. Credit risk arises from the Group's lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group's trading and investment banking activities.

Maximum Exposure to Credit Risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Gross		Average	
$ million	2019	2018	2019	2018
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**262,045**	255,193	**256,141**	247,290
Placements with and loans to banks	**35,813**	39,035	**36,495**	40,078
Government treasury bills and securities	**28,663**	27,776	**28,934**	27,014
Debt securities	**24,304**	21,632	**23,132**	21,247
Amounts due from associates	**75**	80	**31**	147
Assets pledged	**1,166**	1,105	**1,863**	2,002
Derivative receivables	**7,349**	7,201	**15,882**	8,110
Other assets, comprising interest receivables and sundry debtors	**1,806**	1,716	**2,100**	921
	361,221	353,738	**364,578**	346,809
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**13,944**	11,964	**12,333**	11,517
Credit commitments	**153,799**	142,714	**148,326**	135,963
	167,743	154,678	**160,659**	147,480
Total maximum credit risk exposure	**528,964**	508,416	**525,237**	494,289

Collaterals

The main types of collaterals obtained by the Group are as follows:

- Personal housing loans — Mortgages over residential properties
- Commercial property loans — Mortgages over commercial properties
- Derivatives — Cash and securities
- Car loans — Charges over the vehicles financed
- Share margin financing — Charges over listed securities including those of Singapore, Malaysia and Hong Kong
- Other loans — Securities and charges over business assets such as premises, inventories, trade receivables or deposits

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39. Risk Management (continued)

39.2 Credit Risk (continued)

Total Loans and Advances – Credit Quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
Neither past due nor impaired	34,616	37,912	259,662	251,002
Non-impaired	–	–	1,818	3,731
Impaired	–	–	2,550	1,592
Past due loans	–	–	4,368	5,323
Impaired but not past due	–	–	743	1,380
Gross loans	34,616	37,912	264,773	257,705
Allowances				
Impaired loans	–	–	(1,395)	(1,219)
Non-impaired loans	(9)	(13)	(1,030)	(984)
Net loans	34,607	37,899	262,348	255,502

Loans Neither Past Due Nor Impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
Grades				
Performing	34,616	37,912	259,482	250,671
Non-performing	–	–	180	331
Neither past due nor impaired	34,616	37,912	259,662	251,002

Past Due Loans

Analysis of past due loans by industry and geography are as follows:

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
By industry				
Agriculture, mining and quarrying	–	–	243	108
Manufacturing	–	–	520	734
Building and construction	–	–	160	271
General commerce	–	–	646	1,217
Transport, storage and communication	–	–	1,149	496
Financial institutions, investment and holding companies	–	–	136	295
Professionals and individuals (include housing)	–	–	1,444	1,935
Others	–	–	70	267
	–	–	4,368	5,323
By geography				
Singapore	–	–	1,846	1,847
Malaysia	–	–	863	757
Indonesia	–	–	848	1,719
Greater China	–	–	652	680
Rest of the World	–	–	159	320
	–	–	4,368	5,323

39. Risk Management (continued)

39.2 Credit Risk (continued)

Loans Past Due But Not Impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2019	2018
Past due		
Less than 30 days	1,017	2,795
30 to 90 days	444	474
Over 90 days	357	462
Past due but not impaired	1,818	3,731

Collateral and Other Credit Enhancements Obtained

Assets amounting to $49 million (2018: $69 million) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

Country Risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. The Group's main cross-border transfer risk exposures during the financial year were in Hong Kong SAR, People's Republic of China and Malaysia.

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management

Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors. Market risks arise mainly from the Group's trading, client servicing and balance sheet management activities.

The Group's market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures are established to provide common guidelines and standards for managing market risks. The Group's market risk management strategy and limits are regularly reviewed and established within the Group's risk appetite and business strategies, taking into account prevailing macroeconomic and market conditions.

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

The Group's asset liability management framework focuses on managing the exposures arising from the Bank's balance sheet. The Group monitors its liquidity risk, interest rate risk in the banking book (IRRBB) and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in the Group's framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of the prevailing market conditions and practices.

Interest Rate Risk

IRRBB is the risk to earnings and capital arising from exposure to adverse changes in the interest rate environment.

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with the Group's risk appetite. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are used to measure IRRBB from both earnings and economic value perspectives. One method involves the simulation of the impact of various interest rate scenarios on the Group's net interest income and economic value of equity (EVE). Other measures include interest rate sensitivity measures such as PV01 and repricing gap profile analysis. Behavioural models are used to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements are used to adjust IRRBB management and hedging strategies, policies and positions.

The significant market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored using a variety of risk metrics. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $681 million (2018: $744 million), or approximately +10.8% (2018: +12.6%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $681 million (2018: $744 million) in net interest income, or approximately -10.8% (2018: -12.6%) of reported net interest income.

The 1% rate shock impact on net interest income is based on the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projections also assume a constant balance sheet position and that all positions run to maturity.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Interest Rate Risk (continued)

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates, except for trading portfolio liabilities which is in accordance with the Group's trading strategies.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
2019								
Cash and placements with central banks	**8,454**	**4,007**	**3,171**	**–**	**–**	**836**	**6,734**	**23,202**
Placements with and loans to banks	**3,535**	**3,161**	**8,745**	**15,495**	**–**	**–**	**3,671**	**34,607**
Loans and bills receivable [(1)]	**46,298**	**80,419**	**90,587**	**30,561**	**9,168**	**2,386**	**2,930**	**262,349**
Securities [(2)]	**1,210**	**3,672**	**9,334**	**10,281**	**14,222**	**13,873**	**5,415**	**58,007**
Derivative receivables	**–**	**–**	**–**	**–**	**–**	**–**	**7,349**	**7,349**
Other assets	**235**	**75**	**335**	**119**	**9**	**#**	**3,636**	**4,409**
Amounts due from associates	**–**	**–**	**22**	**–**	**–**	**–**	**53**	**75**
Financial assets	**59,732**	**91,334**	**112,194**	**56,456**	**23,399**	**17,095**	**29,788**	**389,998**
Deposits of non-bank customers	**72,608**	**68,644**	**50,161**	**38,006**	**37,908**	**916**	**34,608**	**302,851**
Deposits and balances of banks	**2,885**	**1,250**	**1,005**	**54**	**271**	**–**	**2,785**	**8,250**
Trading portfolio liabilities	**–**	**–**	**90**	**–**	**–**	**–**	**2**	**92**
Derivative payables	**–**	**–**	**–**	**–**	**–**	**–**	**7,687**	**7,687**
Other liabilities [(3)]	**73**	**72**	**93**	**106**	**1**	**–**	**6,848**	**7,193**
Debt issued	**1,397**	**2,410**	**7,896**	**10,072**	**3,480**	**4,073**	**60**	**29,388**
Financial liabilities	**76,963**	**72,376**	**59,245**	**48,238**	**41,660**	**4,989**	**51,990**	**355,461**
On-balance sheet sensitivity gap	**(17,231)**	**18,958**	**52,949**	**8,218**	**(18,261)**	**12,106**		
Off-balance sheet sensitivity gap	**(625)**	**480**	**(3,577)**	**1,936**	**1,529**	**257**		
Net interest sensitivity gap	**(17,856)**	**19,438**	**49,372**	**10,154**	**(16,732)**	**12,363**		
2018								
Cash and placements with central banks	6,828	3,222	2,569	–	–	889	5,240	18,748
Placements with and loans to banks	4,480	4,693	9,357	15,279	–	–	4,089	37,898
Loans and bills receivable [(1)]	46,290	81,671	87,445	28,349	6,210	2,343	3,194	255,502
Securities [(2)]	442	2,968	8,183	12,431	12,394	12,181	5,390	53,989
Derivative receivables	–	–	–	–	–	–	7,201	7,201
Other assets	170	8	259	#	#	36	3,002	3,475
Amounts due from associates	–	–	79	–	–	–	1	80
Financial assets	58,210	92,562	107,892	56,059	18,604	15,449	28,117	376,893
Deposits of non-bank customers	69,703	67,900	52,244	34,623	35,278	865	34,799	295,412
Deposits and balances of banks	1,862	851	1,757	58	143	–	2,905	7,576
Trading portfolio liabilities	–	–	214	–	–	–	–	214
Derivative payables	–	–	–	–	–	–	7,105	7,105
Other liabilities [(3)]	64	72	121	100	#	–	5,822	6,179
Debt issued	1,551	4,080	9,886	6,843	1,701	5,718	493	30,272
Financial liabilities	73,180	72,903	64,222	41,624	37,122	6,583	51,124	346,758
On-balance sheet sensitivity gap	(14,970)	19,659	43,670	14,435	(18,518)	8,866		
Off-balance sheet sensitivity gap	(137)	93	(5,868)	5,774	(1,301)	1,439		
Net interest sensitivity gap	(15,107)	19,752	37,802	20,209	(19,819)	10,305		

(1) *Net of allowances for loans.*
(2) *Securities comprise government, debt and equity securities (including assets pledged).*
(3) *Other liabilities include amounts due to associates.*
(4) *# represents amounts less than $0.5 million.*

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Currency Risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen and Sterling Pound.

$ million	SGD	USD	MYR	HKD	Others	Total
2019						
Cash and placements with central banks	**13,438**	**3,151**	**1,977**	**308**	**4,328**	**23,202**
Placements with and loans to banks	**281**	**25,497**	**969**	**822**	**7,038**	**34,607**
Loans and bills receivable	**92,951**	**64,116**	**20,546**	**34,276**	**50,459**	**262,348**
Securities (1)	**14,311**	**16,782**	**4,959**	**2,613**	**19,342**	**58,007**
Derivative receivables	**2,278**	**3,374**	**94**	**451**	**1,152**	**7,349**
Other assets	**1,383**	**1,860**	**205**	**258**	**703**	**4,409**
Amounts due from associates	**–**	**–**	**–**	**#**	**75**	**75**
Financial assets	**124,642**	**114,780**	**28,750**	**38,728**	**83,097**	**389,997**
Deposits of non-bank customers	**107,278**	**102,800**	**22,827**	**25,906**	**44,040**	**302,851**
Deposits and balances of banks	**801**	**4,287**	**184**	**282**	**2,696**	**8,250**
Trading portfolio liabilities	**90**	**#**	**–**	**–**	**2**	**92**
Derivative payables	**2,300**	**3,537**	**120**	**532**	**1,198**	**7,687**
Other liabilities (2)	**3,611**	**1,806**	**603**	**614**	**559**	**7,193**
Debt issued	**413**	**20,092**	**192**	**243**	**8,448**	**29,388**
Financial liabilities	**114,493**	**132,522**	**23,926**	**27,577**	**56,943**	**355,461**
Net financial assets/(liabilities) exposure (3)	**10,149**	**(17,742)**	**4,824**	**11,151**	**26,154**	
2018						
Cash and placements with central banks	10,761	1,753	2,014	426	3,794	18,748
Placements with and loans to banks	518	29,592	1,269	694	5,825	37,898
Loans and bills receivable	91,021	66,333	20,562	35,114	42,472	255,502
Securities (1)	12,683	14,302	5,261	1,881	19,862	53,989
Derivative receivables	1,855	3,392	84	443	1,427	7,201
Other assets	1,235	1,135	240	321	544	3,475
Amounts due from associates	#	–	–	#	80	80
Financial assets	118,073	116,507	29,430	38,879	74,004	376,893
Deposits of non-bank customers	105,327	91,036	23,297	28,428	47,324	295,412
Deposits and balances of banks	538	4,104	218	649	2,067	7,576
Trading portfolio liabilities	206	8	–	–	–	214
Derivative payables	1,814	3,429	72	445	1,345	7,105
Other liabilities (2)	2,627	1,564	620	609	759	6,179
Debt issued	406	20,071	256	358	9,181	30,272
Financial liabilities	110,918	120,212	24,463	30,489	60,676	346,758
Net financial assets/(liabilities) exposure (3)	7,155	(3,705)	4,967	8,390	13,328	

(1) Securities comprise government, debt and equity securities (including assets pledged).
(2) Other liabilities include amounts due to associates.
(3) Net exposure without taking into account the effect of offsetting derivative exposures.
(4) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's net investment in overseas branches, subsidiaries as well as other strategic and property assets. The Group manages structural foreign exchange risk through hedges and matched funding for foreign currency investments where appropriate. The table below shows the Group's structural foreign currency exposure at reporting date.

	2019			2018		
$ million	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure
Hong Kong Dollar	**7,029**	**–**	**7,029**	6,785	3,081	3,704
Chinese Renminbi	**5,410**	**–**	**5,410**	4,609	–	4,609
US Dollar	**3,909**	**3,174**	**735**	4,024	3,216	808
Others	**7,235**	**51**	**7,184**	6,591	115	6,476
Total	**23,583**	**3,225**	**20,358**	22,009	6,412	15,597

Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

		Carrying amount	
$ million	Nominal amount	Assets	Liabilities
2019			
Foreign exchange derivatives	**3,119**	**42**	**198**
2018			
Debt issued	3,110	–	3,096
Foreign exchange derivatives	3,845	56	169
	6,955	56	3,265

The total change in fair value of the hedging instruments during the year was $62 million (2018: $114 million) and the change in value of the hedging instruments recognised in OCI was $48 million (2018: $108 million). $14 million gain (2018: $6 million loss) was recognised in other income arising from hedge ineffectiveness.

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk

Liquidity risk is the risk arising from the inability to meet financial obligations as they fall due without incurring unacceptable costs or losses through fundraising and assets liquidation.

The objective of liquidity risk management is to ensure that the Group has sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on both contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as develop contingency funding plans.

The table below analyses the carrying amount of assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2019								
Cash and placements with central banks	10,666	4,113	3,181	99	–	–	5,143	23,202
Placements with and loans to banks	5,688	2,314	6,472	17,596	2,537	#	–	34,607
Loans and bills receivable	19,689	33,501	24,789	26,535	42,735	115,099	–	262,348
Securities (1)	753	2,362	4,538	9,810	18,455	17,859	4,230	58,007
Derivative receivables	7,090	2	#	#	82	175	–	7,349
Other assets (2)	1,570	1,089	729	375	81	74	578	4,496
Associates	1	29	22	23	#	–	3,563	3,638
Property, plant and equipment and investment property (3)	#	–	2	1	–	–	3,783	3,786
Goodwill and intangible assets	–	–	–	–	–	–	4,980	4,980
Total	45,457	43,410	39,733	54,439	63,890	133,207	22,277	402,413
Total life insurance fund assets								89,278
Total assets								491,691
Deposits of non-bank customers	165,089	40,877	50,555	42,751	1,792	1,787	–	302,851
Deposits and balances of banks	5,872	1,318	1,006	54	–	–	–	8,250
Trading portfolio liabilities	–	–	90	–	–	–	2	92
Derivative payables	7,409	1	#	9	55	213	–	7,687
Other liabilities (4)	2,944	1,232	1,055	2,044	169	160	878	8,482
Debt issued	737	1,845	6,492	10,738	5,503	4,073	–	29,388
Total	182,051	45,273	59,198	55,596	7,519	6,233	880	356,750
Total life insurance fund liabilities								86,338
Total liabilities								443,088
Net liquidity gap	(136,594)	(1,863)	(19,465)	(1,157)	56,371	126,974		

(1) *Securities comprise government, debt and equity securities (including assets pledged).*
(2) *Other assets include deferred tax assets.*
(3) *Property, plant and equipment and investment property include assets held for sale.*
(4) *Other liabilities include amounts due to associates, current tax and deferred tax liabilities.*
(5) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2018								
Cash and placements with central banks	7,320	3,474	2,569	20	–	–	5,365	18,748
Placements with and loans to banks	6,622	3,375	6,887	20,218	451	345	–	37,898
Loans and bills receivable	19,565	37,045	23,081	26,606	41,075	108,130	–	255,502
Securities (1)	449	1,900	4,570	13,644	14,594	14,922	3,910	53,989
Derivative receivables	7,027	2	#	3	6	163	–	7,201
Other assets (2)	900	1,182	633	354	46	88	378	3,581
Associates	–	–	79	–	1	–	3,103	3,183
Property, plant and equipment and investment property (3)	–	–	2	–	–	–	3,649	3,651
Goodwill and intangible assets	–	–	–	–	–	–	5,093	5,093
Total	41,883	46,978	37,821	60,845	56,173	123,648	21,498	388,846
Total life insurance fund assets								78,697
Total assets								467,543
Deposits of non-bank customers	156,168	42,765	52,937	38,256	2,749	2,537	–	295,412
Deposits and balances of banks	4,885	849	1,739	103	–	–	–	7,576
Trading portfolio liabilities	–	–	214	–	–	–	#	214
Derivative payables	6,901	1	1	10	3	189	–	7,105
Other liabilities (4)	2,651	1,001	1,067	1,501	35	84	907	7,246
Debt issued	1,551	3,020	8,822	7,133	3,628	6,118	–	30,272
Total	172,156	47,636	64,780	47,003	6,415	8,928	907	347,825
Total life insurance fund liabilities								76,326
Total liabilities								424,151
Net liquidity gap	(130,273)	(658)	(26,959)	13,842	49,758	114,720		

(1) *Securities comprise government, debt and equity securities (including assets pledged).*
(2) *Other assets include deferred tax assets.*
(3) *Property, plant and equipment and investment property include assets held for sale.*
(4) *Other liabilities include amounts due to associates, current tax and deferred tax liabilities.*
(5) *# represents amounts less than $0.5 million.*

As contractual maturities may not necessarily reflect the timing of actual cash flows of assets and liabilities, cash flows for liquidity risk analysis are based on a contractual and behavioural basis.

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Contractual Maturity for Financial Liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities, except for trading portfolio liabilities which is in accordance with the Group's trading strategies. Information on cash outflow of gross loan commitments is set out in Note 44. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 17) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2019							
Deposits of non-bank customers (1)	**165,175**	**41,105**	**50,946**	**43,455**	**1,910**	**1,841**	**304,432**
Deposits and balances of banks (1)	**5,873**	**1,347**	**1,010**	**54**	**–**	**–**	**8,284**
Trading portfolio liabilities	**–**	**–**	**92**	**–**	**–**	**–**	**92**
Other liabilities (2)	**2,836**	**699**	**1,013**	**833**	**186**	**145**	**5,712**
Debt issued	**738**	**1,857**	**6,522**	**10,881**	**5,718**	**4,229**	**29,945**
Net settled derivatives							
Trading	**436**	**149**	**329**	**979**	**1,491**	**1,691**	**5,075**
Hedging	**#**	**#**	**3**	**9**	**23**	**15**	**50**
Gross settled derivatives							
Trading – Outflow	**42,545**	**54,296**	**63,445**	**76,443**	**28,268**	**17,524**	**282,521**
Trading – Inflow	**(42,508)**	**(54,315)**	**(63,506)**	**(76,495)**	**(28,324)**	**(17,503)**	**(282,651)**
Hedging – Outflow	**5**	**107**	**10**	**56**	**1,636**	**1,717**	**3,531**
Hedging – Inflow	**–**	**(101)**	**(5)**	**(2)**	**(1,522)**	**(1,513)**	**(3,143)**
	175,100	**45,144**	**59,859**	**56,213**	**9,386**	**8,146**	**353,848**
2018							
Deposits of non-bank customers (1)	156,296	42,937	53,344	39,020	2,956	2,651	297,204
Deposits and balances of banks (1)	4,887	851	1,750	104	1	–	7,593
Trading portfolio liabilities	–	–	214	–	–	–	214
Other liabilities (2)	2,456	555	952	507	13	83	4,566
Debt issued	1,553	3,033	8,859	7,350	3,918	6,494	31,207
Net settled derivatives							
Trading	484	309	372	1,288	1,026	1,049	4,528
Hedging	#	15	2	(3)	3	2	19
Gross settled derivatives							
Trading – Outflow	46,495	59,600	64,082	65,093	27,251	19,729	282,250
Trading – Inflow	(46,473)	(59,823)	(64,090)	(65,102)	(27,419)	(19,676)	(282,583)
Hedging – Outflow	6	169	13	81	195	3,373	3,837
Hedging – Inflow	–	(162)	(5)	(2)	(14)	(3,153)	(3,336)
	165,704	47,484	65,493	48,336	7,930	10,552	345,499

(1) *Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.*
(2) *Other liabilities include amounts due to associates.*
(3) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.4 Insurance-Related Risk Management

This note sets out the risk management information of GEH Group.

Governance Framework

Managing risk is an integral part of GEH Group's core business. As stated in the Enterprise Risk Management (ERM) Framework, GEH Group shall operate within parameters and limits that have been set based on the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible to provide oversight on the risk management initiatives. GEH Board may delegate this responsibility to the Risk Management Committee (RMC). At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees chaired by the Group Chief Executive Officer and comprising key Senior Management Executives, namely: Group Management Committee (GMC), Group Asset-Liability Committee (Group ALC), Group Investment Committee (Group IC), Group Product Management and Approval Committee (Group PMAC) and Group Technology Strategy Committee (Group TSC).

GMC is responsible for providing leadership, direction and functional oversight with regards to all matters of GEH Group. The GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the Group IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team (SMT), Local ALC, Local Product Development Committee (PDC) and Local TSC.

Group IC is responsible for the oversight of all investment management activities of the company with added oversight to ensure that for the insurance funds, the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives to support GEH Group strategic growth into the future. Group TSC is supported by local TSC.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite to deliver the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

Regulatory Framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors (Board) of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital Management

The objectives of GEH's capital management policy are to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory Capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the regulatory minimum ratios under the Risk based Capital Frameworks established by the Monetary Authority of Singapore (MAS) and Bank Negara, Malaysia (BNM) respectively.

Notes to the Financial Statements

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39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Capital Management (continued)

Regulatory Capital (continued)

GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

The primary sources of capital of GEH Group are shareholders' equity and issued subordinated debt. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2019 amounted to $13.9 billion (2018: $11.5 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2019 amounted to $7.9 billion (2018: $8.0 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

Financial Risk Management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

The principal activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty, and meet customer needs in investment and retirement provision.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance Risks of Life Insurance Contracts

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks do not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured, assumptions used in pricing the insurance products as well as subsequent setting aside of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual experience is different from the underlying assumptions. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk insured. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. GEH Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

A substantial portion of GEH Group's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform below expectations, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing (ST) is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment scenarios, expense patterns, mortality/morbidity patterns and lapse rates.

Table 39.4(A):

The table below sets out the distribution of the various categories of the life insurance risk as at the balance sheet date.

		Life insurance	
Insurance liabilities ($ million)		2019	2018
(a)	**By class of business**		
	Whole life	**40,933**	36,350
	Endowment	**28,504**	25,368
	Term	**499**	452
	Accident and health	**372**	1,804
	Annuity	**507**	520
	Others	**1,248**	1,099
	Total	**72,063**	65,593
(b)	**By country**		
	Singapore	**50,918**	45,584
	Malaysia	**20,359**	19,384
	Others	**786**	625
	Total	**72,063**	65,593

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis produced are based on parameters set out as follows:

		Change in assumptions
(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	– 25% for all future years
(e)	Scenario 5 – Lapse and Surrender Rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender Rates	– 25% for all future years
(g)	Scenario 7 – Expenses	+ 30% for all future years

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39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 39.4(B1): Profit/(Loss) After Tax and Shareholders' Equity Sensitivity for the Singapore Segment

Impact on 1-Year's Profit/(Loss) After Tax and Shareholders' Equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2019							
Gross impact	**(177.8)**	**97.8**	**(87.0)**	**35.5**	**68.7**	**(79.1)**	**(12.0)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(177.8)**	**97.8**	**(87.0)**	**35.5**	**68.7**	**(79.1)**	**(12.0)**
2018							
Gross impact	(100.3)	23.1	34.7	(77.1)	55.9	(65.4)	(26.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(100.3)	23.1	34.7	(77.1)	55.9	(65.4)	(26.0)

Table 39.4(B2): Profit/(Loss) After Tax and Shareholders' Equity Sensitivity for the Malaysia Segment

Impact on 1-Year's Profit/(Loss) After Tax and Shareholders' Equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2019							
Gross impact	**(95.0)**	**85.9**	**(17.8)**	**13.1**	**1.2**	**1.5**	**(28.1)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(95.0)**	**85.9**	**(17.8)**	**13.1**	**1.2**	**1.5**	**(28.1)**
2018							
Gross impact	(76.9)	67.2	(15.3)	11.9	(4.4)	6.1	(24.8)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(76.9)	67.2	(15.3)	11.9	(4.4)	6.1	(24.8)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

Insurance Risk of Non-Life Insurance Contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 39.4(C1):

The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date:

	2019			2018		
Non-life insurance contracts $ million	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
(a) By class of business						
Fire	**27**	**(10)**	**17**	19	(6)	13
Motor	**38**	**(2)**	**36**	35	(2)	33
Marine and aviation	**11**	**(6)**	**5**	3	(3)	#
Workmen's compensation	**27**	**(11)**	**16**	16	(4)	12
Personal accident and health	**24**	**(2)**	**22**	24	(2)	22
Miscellaneous	**52**	**(33)**	**19**	50	(34)	16
Total	**179**	**(64)**	**115**	147	(51)	96
(b) By country						
Singapore	**95**	**(43)**	**52**	78	(35)	43
Malaysia	**71**	**(19)**	**52**	69	(16)	53
Indonesia	**13**	**(2)**	**11**	–	–	–
Total	**179**	**(64)**	**115**	147	(51)	96

	2019			2018		
Non-life insurance contracts $ million	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
(a) By class of business						
Fire	**50**	**(33)**	**17**	29	(19)	10
Motor	**56**	**(5)**	**51**	55	(5)	50
Marine and aviation	**51**	**(36)**	**15**	25	(22)	3
Workmen's compensation	**29**	**(11)**	**18**	26	(9)	17
Personal accident and health	**22**	**(3)**	**19**	18	(2)	16
Miscellaneous	**72**	**(44)**	**28**	84	(64)	20
Total	**280**	**(132)**	**148**	237	(121)	116
(b) By country						
Singapore	**111**	**(61)**	**50**	123	(74)	49
Malaysia	**127**	**(55)**	**72**	114	(47)	67
Indonesia	**42**	**(16)**	**26**	–	–	–
Total	**280**	**(132)**	**148**	237	(121)	116

(1) *# represents amounts less than $0.5 million.*

Notes to the Financial Statements

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39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 39.4(C2): Cumulative Claims Estimates and Cumulative Payments To-Date

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2019

$ million	2012	2013	2014	2015	2016	2017	2018	2019	Total
(a) Estimate of cumulative claims									
Accident Year	93	138	127	166	178	169	163	214	
One year later	100	131	119	162	178	166	141	–	
Two years later	97	117	116	134	173	147	–	–	
Three years later	94	116	112	140	169	–	–	–	
Four years later	89	120	107	139	–	–	–	–	
Five years later	87	123	108	–	–	–	–	–	
Six years later	85	122	–	–	–	–	–	–	
Seven years later	84	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**84**	**122**	**108**	**139**	**169**	**147**	**141**	**214**	
(b) Cumulative payments									
Accident Year	37	38	39	52	82	64	55	91	
One year later	64	79	87	105	138	107	101	–	
Two years later	75	91	96	114	154	121	–	–	
Three years later	81	95	99	128	158	–	–	–	
Four years later	83	112	100	130	–	–	–	–	
Five years later	84	121	102	–	–	–	–	–	
Six years later	84	121	–	–	–	–	–	–	
Seven years later	84	–	–	–	–	–	–	–	
Cumulative payments	**84**	**121**	**102**	**130**	**158**	**121**	**101**	**91**	
(c) Non-life gross claim liabilities	**#**	**1**	**6**	**9**	**11**	**26**	**40**	**123**	**216**
Reserve for prior years									**22**
Estimated cumulative claims of PT Great Eastern General Insurance, gross									**42**
Non-life insurance contract liabilities, gross									**280**

(1) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2019

$ million	2012	2013	2014	2015	2016	2017	2018	2019	Total
(a) Estimate of cumulative claims									
Accident Year	64	93	80	83	91	93	106	119	
One year later	70	74	77	79	85	92	98	–	
Two years later	66	72	76	75	83	90	–	–	
Three years later	65	71	75	72	81	–	–	–	
Four years later	63	69	72	70	–	–	–	–	
Five years later	61	67	72	–	–	–	–	–	
Six years later	60	66	–	–	–	–	–	–	
Seven years later	60	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**60**	**66**	**72**	**70**	**81**	**90**	**98**	**119**	
(b) Cumulative payments									
Accident Year	32	30	32	30	41	44	47	54	
One year later	49	55	59	56	66	72	78	–	
Two years later	56	61	65	62	72	79	–	–	
Three years later	58	63	67	64	75	–	–	–	
Four years later	59	64	69	65	–	–	–	–	
Five years later	60	65	69	–	–	–	–	–	
Six years later	60	65	–	–	–	–	–	–	
Seven years later	60	–	–	–	–	–	–	–	
Cumulative payments	**60**	**65**	**69**	**65**	**75**	**79**	**78**	**54**	
(c) Non-life net claim liabilities	**#**	**1**	**3**	**5**	**6**	**11**	**20**	**65**	**111**
Reserve for prior years									**11**
Estimated cumulative claims of PT Great Eastern General Insurance, net									**26**
Non-life insurance contract liabilities, net									**148**

(1) *# represents amounts less than $0.5 million.*

Key Assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by achieving diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, thorough claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of active management and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the GEH Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

		Impact on			
$ million	Change in assumptions	Gross liabilities	Net liabilities	Profit before tax	Equity
2019					
Provision for adverse deviation margin	**+20%**	**7**	**2**	**(2)**	**(2)**
Loss ratio [1]	**+20%**	**67**	**41**	**(41)**	**(32)**
Claims handling expenses	**+20%**	**2**	**1**	**(1)**	**(1)**
2018					
Provision for adverse deviation margin	+20%	6	3	(3)	(2)
Loss ratio [1]	+20%	76	51	(51)	(39)
Claims handling expenses	+20%	2	2	(2)	(1)

(1) *Best estimate reserves and current accident year payments.*

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Market and Credit Risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

GEH Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. In the case of the third-party funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

GEH Group ALC, Group IC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

(a) Interest Rate Risk (Including Asset Liability Mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate (LTRFDR). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(a) Interest Rate Risk (Including Asset Liability Mismatch) (continued)

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

(b) Foreign Currency Risk

Hedging through currency forwards and swaps is typically used for the foreign currency denominated fixed income portfolio. Portfolios are mostly hedged where practical and cost-effective. Foreign exchange instruments are also used for efficient portfolio management.

GEH Group is also exposed to foreign exchange risk on the net investment in its foreign subsidiaries. Such risk mainly arises from GEH Group's subsidiaries in Malaysia. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM.

Limits are set on the total amount of foreign currency (net of liabilities) to cap GEH Group's foreign currency risk.

The following table shows the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

$ million	SGD	MYR	USD	Others	Total
2019					
Financial assets at FVOCI					
Equity securities	**364**	**221**	**–**	**1,004**	**1,589**
Debt securities	**4,834**	**816**	**2,616**	**401**	**8,667**
Financial assets at FVTPL					
Equity securities	**1,435**	**7,017**	**1,161**	**3,629**	**13,242**
Debt securities	**16,433**	**14,352**	**9,993**	**5,629**	**46,407**
Other investments	**5,646**	**213**	**4,375**	**1,852**	**12,086**
Financial assets at amortised cost					
Debt securities	**–**	**–**	**112**	**15**	**127**
Derivative financial assets	**375**	**–**	**25**	**17**	**417**
Loans	**608**	**443**	**2**	**19**	**1,072**
Insurance receivables	**1,118**	**1,859**	**14**	**41**	**3,032**
Other debtors	**754**	**240**	**33**	**50**	**1,077**
Cash and cash equivalents	**3,768**	**1,761**	**295**	**392**	**6,216**
Financial and insurance-related assets	**35,335**	**26,922**	**18,626**	**13,049**	**93,932**
Other creditors	**3,469**	**298**	**96**	**36**	**3,899**
Insurance payables	**1,621**	**3,565**	**3**	**16**	**5,205**
Derivative financial liabilities	**19**	**–**	**68**	**109**	**196**
Provision for agents' retirement benefits	**–**	**294**	**–**	**–**	**294**
Debt issued	**400**	**–**	**–**	**–**	**400**
Insurance contract liabilities	**49,214**	**20,557**	**2,130**	**621**	**72,522**
Financial and insurance-related liabilities	**54,723**	**24,714**	**2,297**	**782**	**82,516**

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(b) Foreign Currency Risk (continued)

$ million	SGD	MYR	USD	Others	Total
2018					
Financial assets at FVOCI					
Equity securities	535	192	–	1,125	1,852
Debt securities	3,730	695	2,305	229	6,959
Financial assets at FVTPL					
Equity securities	1,696	6,005	911	3,586	12,198
Debt securities	13,511	14,045	8,967	4,422	40,945
Other investments	4,559	199	3,290	1,520	9,568
Derivative financial assets	217	–	8	2	227
Loans	510	818	2	–	1,330
Insurance receivables	1,115	1,675	#	4	2,794
Other debtors	604	247	132	32	1,015
Cash and cash equivalents	3,505	1,387	541	272	5,705
Financial and insurance-related assets	29,982	25,263	16,156	11,192	82,593
Other creditors	1,168	324	98	22	1,612
Insurance payables	1,359	3,244	4	12	4,619
Derivative financial liabilities	6	2	121	166	295
Provision for agents' retirement benefits	–	276	–	–	276
Debt issued	400	–	–	–	400
Insurance contract liabilities	44,142	19,567	1,764	503	65,976
Financial and insurance-related liabilities	47,075	23,413	1,987	703	73,178

(1) *# represents amounts less than $0.5 million.*

GEH Group has no significant concentration of foreign currency risk.

(c) Equity Price Risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity, equity derivatives and fund investments, where GEH Group, through investments, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit Spread Risk

Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.

(e) Alternative Investment Risk

GEH Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and GEH Group IC.

(f) Commodity Risk

GEH Group does not have any direct exposure to commodity risk.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough without incurring unreasonable losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although these have been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of GEH Group's financial and insurance contract liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2019					
Financial assets at FVOCI					
Equity securities	–	–	–	1,589	1,589
Debt securities	516	3,817	7,638	–	11,971
Financial assets at FVTPL					
Equity securities	–	–	–	13,242	13,242
Debt securities	3,862	14,369	41,666	2,330	62,227
Other investments	–	–	–	12,086	12,086
Financial assets at amortised cost					
Debt securities	7	27	235	–	269
Loans	291	796	103	–	1,190
Insurance receivables	643	2	–	2,387	3,032
Other debtors	1,055	–	18	4	1,077
Cash and cash equivalents	6,216	–	–	–	6,216
Financial and insurance-related assets	12,590	19,011	49,660	31,638	112,899
Other creditors	3,775	#	–	28	3,803
Lease liabilities	14	51	45	–	110
Insurance payables	5,180	13	–	12	5,205
Provision for agents' retirement benefits	115	59	120	–	294
Debt issued	19	409	–	–	428
Insurance contract liabilities	12,270	15,466	44,776	10	72,522
Financial and insurance-related liabilities	21,373	15,998	44,941	50	82,362

(1) *# represents amounts less than $0.5 million.*

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2018					
Financial assets at FVOCI					
Equity securities	–	–	–	1,852	1,852
Debt securities	331	2,077	8,283	–	10,691
Financial assets at FVTPL					
Equity securities	–	–	–	12,198	12,198
Debt securities	2,453	15,359	37,799	2,225	57,836
Other investments	–	–	–	9,568	9,568
Loans	533	738	216	–	1,487
Insurance receivables	385	3	–	2,406	2,794
Other debtors	952	11	18	34	1,015
Cash and cash equivalents	5,705	–	–	–	5,705
Financial and insurance-related assets	10,359	18,188	46,316	28,283	103,146
Other creditors	1,580	4	#	28	1,612
Insurance payables	3,571	1,044	–	4	4,619
Provision for agents' retirement benefits	100	59	117	–	276
Debt issued	18	428	–	–	446
Insurance contract liabilities	7,935	14,988	43,033	20	65,976
Financial and insurance-related liabilities	13,204	16,523	43,150	52	72,929

(1) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2019				
Cash and cash equivalents	**5,901**	**–**	**315**	**6,216**
Other debtors	**1,017**	**47**	**61**	**1,125**
Insurance receivables	**1,546**	**1,486**	**–**	**3,032**
Loans	**217**	**855**	**–**	**1,072**
Derivative financial assets	**241**	**171**	**5**	**417**
Investments	**11,195**	**64,645**	**6,278**	**82,118**
Associates	**–**	**2**	**–**	**2**
Intangible assets	**–**	**32**	**–**	**32**
Property, plant and equipment	**–**	**709**	**–**	**709**
Investment properties	**–**	**1,786**	**–**	**1,786**
Assets	**20,117**	**69,733**	**6,659**	**96,509**
Insurance payables	**5,188**	**17**	**–**	**5,205**
Other creditors	**3,750**	**113**	**83**	**3,946**
Derivative financial liabilities	**93**	**98**	**5**	**196**
Income tax payable	**554**	**–**	**4**	**558**
Provision for agents' retirement benefits	**115**	**179**	**–**	**294**
Deferred tax	**–**	**1,541**	**2**	**1,543**
Debt issued	**–**	**400**	**–**	**400**
Insurance contract liabilities	**5,399**	**63,023**	**7,242**	**75,664**
Liabilities	**15,099**	**65,371**	**7,336**	**87,806**
2018				
Cash and cash equivalents	5,170	–	535	5,705
Other debtors	948	64	62	1,074
Insurance receivables	385	2,409	–	2,794
Loans	483	847	–	1,330
Derivative financial assets	94	129	4	227
Investments	14,207	52,046	5,268	71,521
Associates	–	2	–	2
Intangible assets	–	27	–	27
Property, plant and equipment	–	591	–	591
Investment properties	–	1,771	–	1,771
Assets	21,287	57,886	5,869	85,042
Insurance payables	3,571	1,048	–	4,619
Other creditors	1,527	33	87	1,647
Derivative financial liabilities	51	242	2	295
Income tax payable	501	–	7	508
Provision for agents' retirement benefits	100	176	–	276
Deferred tax	–	1,131	1	1,132
Debt issued	–	400	–	400
Insurance contract liabilities	1,839	60,628	6,176	68,643
Liabilities	7,589	63,658	6,273	77,520

(1) ** represents expected recovery or settlement within 12 months from the balance sheet date.*

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. GEH Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH Group ALC. GEH Group has internal limits by issuer, counterparty and investment grade. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is mitigated through counterparty limits that are reviewed and approved on an annual basis. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the eligibility of collateral have been established, and all collaterals are revalued on a regular basis. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

		2019		2018	
$ million	Type of collateral	Carrying amount	Fair value	Carrying amount	Fair value
Policy loans	Cash value of policies	2,387	4,862	2,345	4,806
Secured loans	Properties	731	1,343	605	1,033
Secured loans	Others	100 [1]	1	430 [1]	8
		3,218	6,206	3,380	5,847

(1) *This includes secured loans which are guaranteed by the government although there is no collateral held.*

There were no securities lending arrangements as at 31 December 2019 (2018: nil).

As at the balance sheet date, no investments (2018: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under standard terms and conditions for securities borrowing and lending activities.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out information about the credit quality of loans and debt securities measured at amortised cost and debt securities measured at FVOCI. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For loan commitments, the amounts in the table represent the amounts committed.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
2019				
Loans at amortised cost				
Investment grade* (BBB to AAA)	717	–	–	717
Non investment grade* (C to BB)	67	225	109	401
Not rated	1	–	–	1
	785	225	109	1,119
Loss allowance	(1)	(5)	(42)	(48)
Carrying amount	784	220	67	1,071
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	122	–	–	122
Non investment grade* (C to BB)	6	–	–	6
	128	–	–	128
Loss allowance	(1)	–	–	(1)
Carrying amount	127	–	–	127
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	7,893	19	–	7,912
Non investment grade* (C to BB)	714	41	–	755
	8,607	60	–	8,667
2018				
Loans at amortised cost				
Investment grade* (BBB to AAA)	862	44	–	906
Non investment grade* (C to BB)	40	292	110	442
Not rated	3	–	–	3
	905	336	110	1,351
Loss allowance	(1)	(6)	(14)	(21)
Carrying amount	904	330	96	1,330
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	6,581	26	–	6,607
Non investment grade* (C to BB)	294	56	2	352
	6,875	82	2	6,959
Loan commitments				
Investment grade* (BBB to AAA)	26	1	–	27

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

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39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost, other than loans and debt securities measured at amortised cost.

$ million	Investment grade* (BBB to AAA)	Non investment grade* (C to BB)	Not rated	Unit-linked	Not subject to credit risk	Total carrying amount
2019						
Financial assets at FVOCI						
Equity securities	**–**	**–**	**–**	**–**	**1,589**	**1,589**
Financial assets at FVTPL						
Equity securities	**–**	**–**	**1**	**2,665**	**10,576**	**13,242**
Debt securities	**37,576**	**1,971**	**5,472**	**1,388**	**–**	**46,407**
Other investments	**–**	**–**	**136**	**2,743**	**9,207**	**12,086**
Derivative financial assets	**412**	**–**	**#**	**5**	**–**	**417**
Insurance receivables	**47**	**–**	**2,979**	**6**	**–**	**3,032**
Other debtors	**3**	**–**	**1,014**	**60**	**–**	**1,077**
Cash and cash equivalents	**5,761**	**–**	**93**	**362**	**–**	**6,216**
	43,799	**1,971**	**9,695**	**7,229**	**21,372**	**84,066**
2018						
Financial assets at FVOCI						
Equity securities	–	–	–	–	1,852	1,852
Financial assets at FVTPL						
Equity securities	–	–	1	1,979	10,218	12,198
Debt securities	33,349	1,483	4,868	1,245	–	40,945
Other investments	–	–	132	2,307	7,129	9,568
Derivative financial assets	219	–	3	5	–	227
Insurance receivables	4	–	2,617	2	–	2,623
Other debtors	2	–	952	61	–	1,015
Cash and cash equivalents	5,102	–	87	516	–	5,705
	38,676	1,483	8,660	6,115	19,199	74,133

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*
(2) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Amounts arising from ECL

Measurement of ECL - Explanation of Inputs, Assumptions and Estimation Techniques

The key inputs into the measurement of ECL are the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models as developed by GEH Group based on historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are based on rating models that consider both quantitative and qualitative inputs derived from internal and external compiled data.

LGD is the magnitude of the likely loss incurred during a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and represents an estimate of the economic loss in the event of the default of the counterparty. Drivers of LGD include the seniority of the claim, the availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical models. These statistical models are developed using internally compiled data, and comprised both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant Increase in Credit Risk

To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. GEH Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:
- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on GEH Group's quantitative model, the 12M PD is determined to have more than doubled since origination except where the counterparty remains within the investment grade rating. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

Using its expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Credit Risk Grades

GEH Group assigns each exposure to a credit risk grade reflecting the PD of the counterparty and applying experienced credit judgement. Credit risk grades are established based on qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility.

Definition of Default

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due. For bonds and loans, the instrument is considered as default if it is in overdue status and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

Incorporating of Forward-Looking Information

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2019, for all portfolios, GEH Group concluded that two scenarios appropriately captured non-linearities. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the base, and the other scenario, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12M or lifetime ECL should be recorded. Following this assessment, GEH Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. GEH Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within GEH Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2019.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortised cost				
At 1 January 2018	–	–	47.3	47.3
Effect of adopting SFRS(I) 9	0.3	9.2	–	9.5
Adjusted balance at 1 January	0.3	9.2	47.3	56.8
Net remeasurement of loss allowance	0.2	0.3	(33.5)	(33.0)
New financial assets purchased	0.1	–	–	0.1
Financial assets that have been derecognised	(0.2)	(2.9)	–	(3.1)
Foreign exchange and other movements	0.1	(0.1)	(0.1)	(0.1)
At 31 December 2018/1 January 2019	**0.5**	**6.5**	**13.7**	**20.7**
Net remeasurement of loss allowance	**–**	**(0.9)**	**28.6**	**27.7**
New financial assets purchased	**0.3**	**–**	**–**	**0.3**
Financial assets that have been derecognised	**(0.2)**	**(1.1)**	**–**	**(1.3)**
Changes in models/risk parameters	**0.1**	**0.1**	**–**	**0.2**
At 31 December 2019	**0.7**	**4.6**	**42.3**	**47.6**
Debt securities at amortised cost				
At 1 January 2019	**–**	**–**	**–**	**–**
New financial assets purchased	**0.6**	**–**	**–**	**0.6**
Changes in models/risk parameters	**0.1**	**–**	**–**	**0.1**
At 31 December 2019	**0.7**	**–**	**–**	**0.7**
Debt securities at FVOCI				
At 1 January 2018	–	–	64.0	64.0
Effect of adopting SFRS(I) 9	3.5	3.5	(57.4)	(50.4)
Adjusted balance at 1 January	3.5	3.5	6.6	13.6
Transfer to 12-month ECL	0.2	(0.2)	–	–
New financial assets purchased	2.0	0.2	–	2.2
Financial assets that have been derecognised	(1.1)	(1.7)	(3.9)	(6.7)
Changes in models/risk parameters	0.1	–	–	0.1
Foreign exchange and other movements	(0.1)	0.1	0.1	0.1
At 31 December 2018/1 January 2019	**4.6**	**1.9**	**2.8**	**9.3**
Additional loss due to transfer	**–**	**0.3**	**–**	**0.3**
Net remeasurement of loss allowance	**–**	**(0.3)**	**–**	**(0.3)**
New financial assets purchased	**2.0**	**–**	**–**	**2.0**
Financial assets that have been derecognised	**(1.7)**	**(0.3)**	**–**	**(2.0)**
Changes in models/risk parameters	**0.9**	**–**	**–**	**0.9**
At 31 December 2019	**5.8**	**1.6**	**2.8**	**10.2**
Increase/(decrease) in provision for impairment of financial assets for the year				
31 December 2019	**2.1**	**(2.2)**	**28.6**	**28.5**
31 December 2018	1.1	(4.1)	(37.4)	(40.4)

The carrying amount of outstanding premiums as at 31 December 2019 is $416.7 million (2018: $261.5 million). The ECL relating to outstanding premiums as at 31 December 2019 was $4.7 million (2018: $2.7 million) for GEH Group. The changes in credit loss recognised in the income statement during the year was positive $1.6 million (2018: negative $1.7 million).

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(i) Sensitivity Analysis on Financial Risks

The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variable, with all other variables constant. While the co-movement of key variable can significantly affect the fair values and/or amortised cost of financial assets, but to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market Risk Sensitivity Analysis

	Impact on profit after tax		Impact on equity	
$ million	2019	2018	2019	2018
Change in variables:				
(a) Interest rate				
+100 basis points	38.6	62.4	(482.1)	(383.2)
–100 basis points	(238.8)	(160.4)	371.8	365.9
(b) LTRFDR [1]				
+10 basis points	19.9	41.0	19.9	41.0
–10 basis points	(21.0)	(43.6)	(21.0)	(43.6)
(c) Foreign currency				
5% increase in market value of foreign currency denominated assets	50.4	22.8	94.3	71.2
5% decrease in market value of foreign currency denominated assets	(50.4)	(22.8)	(94.3)	(71.2)
(d) Equity				
20% increase in market indices				
STI	51.3	67.9	111.0	156.0
KLCI	6.0	27.5	30.7	49.1
20% decrease in market indices				
STI	(51.3)	(67.9)	(111.0)	(156.0)
KLCI	(6.0)	(27.5)	(30.7)	(49.1)
(e) Credit				
Spread +100 basis points	(204.2)	(164.8)	(605.8)	(490.0)
Spread –100 basis points	221.9	177.5	693.6	558.7
(f) Alternative investments [2]				
10% increase in market value of all alternative investments	69.9	49.1	71.6	53.5
10% decrease in market value of all alternative investments	(69.9)	(49.1)	(71.6)	(53.5)

[1] *LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.*
[2] *Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.*

The method for deriving sensitivity information and significant variables did not change from the previous year.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(j) Concentration Risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its investment mix to ensure that there is no significant concentration of market and credit risk.

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events and compliance risk is a similar event or action resulting from its failure to comply with the following applicable laws, regulations and standards:

- local laws, regulations and rules governing licensed activities undertaken by GEH Group;
- foreign laws, regulations and rules that have extraterritorial jurisdiction over GEH Group's licensed activities;
- codes of practice promoted by industry associations of which GEH Group are members of; and
- any other applicable regulations which do not specifically govern the licensed activities undertaken by GEH Group but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to GEH Group Audit Committee.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

GEH Group adopts a risk based approach in managing technology, information and cyber risks relating to cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privilege access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology, information and cyber risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

Notes to the Financial Statements

For the financial year ended 31 December 2019

40. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2019						
Cash and placements with central banks	–	–	23,202	–	–	23,202
Singapore government treasury bills and securities	1,744	–	–	9,299	–	11,043
Other government treasury bills and securities	2,862	9	410	14,339	–	17,620
Placements with and loans to banks	1,992	–	22,847	10,974	–	35,813
Loans and bills receivable	180	–	261,865	–	–	262,045
Debt and equity securities	7,018	15	65	21,435	–	28,533
Assets pledged	61	–	304	801	–	1,166
Derivative receivables	7,349	–	–	–	–	7,349
Other assets	–	–	3,713	–	205	3,918
Amounts due from associates	–	–	75	–	–	75
Financial assets	21,206	24	312,481	56,848	205	390,764
Non-financial assets						13,590
						404,354
Life insurance fund investment financial assets	27,337	42,692	9,338	6,159	–	85,526
Life insurance fund investment non-financial assets						1,811
Total assets						491,691
Deposits of non-bank customers	–	–	302,851	–	–	302,851
Deposits and balances of banks	–	–	8,250	–	–	8,250
Trading portfolio liabilities	92	–	–	–	–	92
Derivative payables	7,687	–	–	–	–	7,687
Other liabilities [1]	–	–	6,288	–	511	6,799
Debt issued	–	1,311	28,077	–	–	29,388
Financial liabilities	7,779	1,311	345,466	–	511	355,067
Non-financial liabilities						3,575
						358,642
Life insurance fund financial liabilities	191	–	8,998	–	72,063	81,252
Life insurance fund non-financial liabilities						3,194
Total liabilities						443,088

(1) *Other liabilities include amounts due to associates.*

40. Financial Assets and Financial Liabilities Classification (continued)

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2018						
Cash and placements with central banks	–	–	18,748	–	–	18,748
Singapore government treasury bills and securities	1,587	–	–	8,024	–	9,611
Other government treasury bills and securities	2,348	10	374	15,433	–	18,165
Placements with and loans to banks	2,630	–	25,455	10,950	–	39,035
Loans and bills receivable	272	–	254,921	–	–	255,193
Debt and equity securities	6,160	17	92	19,274	–	25,543
Assets pledged	–	–	309	796	–	1,105
Derivative receivables	7,201	–	–	–	–	7,201
Other assets	–	–	3,026	–	177	3,203
Amounts due from associates	–	–	80	–	–	80
Financial assets	20,198	27	303,005	54,477	177	377,884
Non-financial assets						12,792
						390,676
Life insurance fund investment financial assets	23,290	37,794	8,583	5,398	–	75,065
Life insurance fund investment non-financial assets						1,802
Total assets						467,543
Deposits of non-bank customers	–	–	295,412	–	–	295,412
Deposits and balances of banks	–	–	7,576	–	–	7,576
Trading portfolio liabilities	214	–	–	–	–	214
Derivative payables	7,105	–	–	–	–	7,105
Other liabilities [1]	–	–	5,174	–	422	5,596
Debt issued	–	1,075	29,197	–	–	30,272
Financial liabilities	7,319	1,075	337,359	–	422	346,175
Non-financial liabilities						3,048
						349,223
Life insurance fund financial liabilities	289	–	6,351	–	65,593	72,233
Life insurance fund non-financial liabilities						2,695
Total liabilities						424,151

(1) *Other liabilities include amounts due to associates.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2019					
Cash and placements with central banks	–	–	17,824	–	17,824
Singapore government treasury bills and securities	1,744	–	–	8,148	9,892
Other government treasury bills and securities	2,142	–	410	5,092	7,644
Placements with and loans to banks	1,992	–	18,408	7,656	28,056
Loans and bills receivable	171	–	164,393	–	164,564
Debt and equity securities	4,484	–	65	9,661	14,210
Placements with and advances to subsidiaries	–	–	18,073	–	18,073
Assets pledged	–	–	–	122	122
Derivative receivables	6,324	–	–	–	6,324
Other assets	–	–	2,209	–	2,209
Amounts due from associates	–	–	74	–	74
Financial assets	16,857	–	221,456	30,679	268,992
Non-financial assets					19,759
Total assets					288,751
Deposits of non-bank customers	–	–	189,420	–	189,420
Deposits and balances of banks	–	–	5,938	–	5,938
Deposits and balances of subsidiaries	–	–	21,435	–	21,435
Trading portfolio liabilities	92	–	–	–	92
Derivative payables	6,743	–	–	–	6,743
Other liabilities [1]	–	–	1,904	–	1,904
Debt issued	–	1,311	26,915	–	28,226
Financial liabilities	6,835	1,311	245,612	–	253,758
Non-financial liabilities					993
Total liabilities					254,751

(1) *Other liabilities include amounts due to associates.*

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2018					
Cash and placements with central banks	–	–	13,740	–	13,740
Singapore government treasury bills and securities	1,587	–	–	7,386	8,973
Other government treasury bills and securities	1,573	–	374	6,312	8,259
Placements with and loans to banks	2,629	–	20,393	6,042	29,064
Loans and bills receivable	250	–	156,647	–	156,897
Debt and equity securities	3,789	–	92	8,092	11,973
Placements with and advances to subsidiaries	–	–	22,808	–	22,808
Assets pledged	–	–	–	1,007	1,007
Derivative receivables	5,331	–	–	–	5,331
Other assets	–	–	1,617	–	1,617
Amounts due from associates	–	–	#	–	#
Financial assets	15,159	–	215,671	28,839	259,669
Non-financial assets					19,308
Total assets					278,977
Deposits of non-bank customers	–	–	183,600	–	183,600
Deposits and balances of banks	–	–	6,350	–	6,350
Deposits and balances of subsidiaries	–	–	20,938	–	20,938
Trading portfolio liabilities	214	–	–	–	214
Derivative payables	5,252	–	–	–	5,252
Other liabilities [1]	–	–	1,772	–	1,772
Debt issued	–	1,075	27,737	–	28,812
Financial liabilities	5,466	1,075	240,397	–	246,938
Non-financial liabilities					743
Total liabilities					247,681

(1) *Other liabilities include amounts due to associates.*
(2) *# represents amounts less than $0.5 million.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

41. Fair Values of Financial Instruments

41.1 Valuation Governance Framework

The Group has an established governance framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management (MRM) function within the GRM is responsible for the model validation process. Financial models are used to price financial instruments and to calculate value-at-risk (VaR). MRM ensure that the models used are fit for their intended purposes through internal independent validation and periodic review. MRM source market rates independently for risk measurement and valuation.

The Treasury Financial Control and Advisory – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation adjustment methodologies, independent price testing, and identifying valuation gaps.

Valuation policies are formulated and reviewed annually by the Valuation Control function, and approved by the Market Risk Management Committee, the CEO and BRMC. Valuation adjustments are applied to account for input parameter uncertainties, known model deficiencies and other factors that may affect valuation. The main valuation adjustments are described below.

Bid Offer Adjustments
When the position is marked at mid-price, bid offer adjustment is applied to account for close out cost.

Model Adjustments
Model adjustments are applied when there are inherent limitations in the valuation models used by the Bank.

Day 1 Profit or Loss Adjustments
Day 1 profit or loss adjustments are applied when the valuation technique involves the use of significant inputs which are not readily observable. The difference between the fair value at initial recognition and the transaction price is deferred as an adjustment.

Credit and Funding Adjustments
Credit and funding adjustments are applied to account for the expected losses due to counterparty default and the cost of funding above the risk-free rate of return of uncollateralised derivatives.

Parameter Uncertainty Adjustments
These valuation adjustments mainly include adjustments for illiquid prices or internal methodologies used to derive model inputs.

The Group's internal audit provides independent assurance on the respective divisions' compliance with the policy.

41. Fair Values of Financial Instruments (continued)

41.2 Fair Values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial Assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying amounts due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all the loans are subject to frequent re-pricing.

Financial Liabilities

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

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

41.3 Fair Value Hierarchy

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

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41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities measured at fair values subsequent to initial recognition by level of the fair value hierarchy:

	2019				2018			
$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks	**2,588**	**10,429**	**–**	**13,017**	–	13,705	–	13,705
Debt and equity securities	**25,573**	**2,589**	**1,025**	**29,187**	21,714	3,496	883	26,093
Loans and bills receivable	**–**	**–**	**180**	**180**	–	–	272	272
Derivative receivables	**31**	**7,257**	**61**	**7,349**	109	7,021	71	7,201
Government treasury bills and securities	**25,917**	**2,428**	**–**	**28,345**	23,960	3,470	–	27,430
Life insurance fund investment assets	**59,719**	**14,705**	**1,764**	**76,188**	47,551	17,582	1,350	66,483
Total	**113,828**	**37,408**	**3,030**	**154,266**	93,334	45,274	2,576	141,184
Non-financial assets measured at fair value								
Life insurance fund investment properties	**–**	**–**	**1,786**	**1,786**	–	–	1,771	1,771
Total	**–**	**–**	**1,786**	**1,786**	–	–	1,771	1,771
Financial liabilities measured at fair value								
Derivative payables	**41**	**7,603**	**43**	**7,687**	94	6,985	26	7,105
Trading portfolio liabilities	**92**	**–**	**–**	**92**	214	–	–	214
Debt issued	**–**	**1,311**	**–**	**1,311**	–	1,075	–	1,075
Life insurance fund financial liabilities	**3**	**188**	**–**	**191**	3	286	–	289
Total	**136**	**9,102**	**43**	**9,281**	311	8,346	26	8,683
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	**2,328**	**7,365**	**–**	**9,693**	–	8,792	–	8,792
Debt and equity securities	**12,050**	**1,715**	**442**	**14,207**	10,161	1,737	546	12,444
Loans and bills receivable	**–**	**–**	**171**	**171**	–	–	250	250
Derivative receivables	**5**	**6,266**	**53**	**6,324**	7	5,277	47	5,331
Government treasury bills and securities	**15,437**	**1,705**	**–**	**17,142**	14,068	3,113	–	17,181
Total	**29,820**	**17,051**	**666**	**47,537**	24,236	18,919	843	43,998
Financial liabilities measured at fair value								
Derivative payables	**11**	**6,699**	**33**	**6,743**	23	5,227	2	5,252
Trading portfolio liabilities	**92**	**–**	**–**	**92**	214	–	–	214
Debt issued	**–**	**1,311**	**–**	**1,311**	–	1,075	–	1,075
Total	**103**	**8,010**	**33**	**8,146**	237	6,302	2	6,541

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity and from Level 1 to Level 2 due to reduced market activity.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Valuation Techniques and Unobservable Inputs for Level 3 Instruments

GROUP $ million	Fair value at 31 December 2019	Classification	Valuation techniques	Unobservable inputs
Financial assets				
Equity securities	**1,025**	FVTPL/FVOCI	Net asset value/ Multiples	Value of net asset/ Earnings and multiples
Loans and bills receivable	**180**	FVTPL	Discounted cash flows	Credit spreads
Derivative receivables	**61**	FVTPL	Option pricing model	Volatility/Correlation
Life insurance fund investment assets	**1,764**	FVTPL/FVOCI	Net asset value	Value of net asset
Total	**3,030**			
Financial liabilities				
Derivative payables	**43**	FVTPL	Option pricing model	Volatility/Correlation
Total	**43**			

Management considers that any reasonably possible changes to the unobservable inputs will not result in a significant financial impact.

Movements in Level 3 Financial Assets and Liabilities

	2019				
GROUP $ million	Debt and equity securities	Loans and bills receivable	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value					
At 1 January	**883**	**272**	**71**	**1,350**	**2,576**
Purchases	**96**	**4**	**1**	**654**	**755**
Settlements/disposals	**(88)**	**(95)**	**–**	**(227)**	**(410)**
Transfers (out of)/in to Level 3	**(#)** [1]	**–**	**1** [2]	**–**	**1**
Gains/(losses) recognised in					
– profit or loss	**8**	**(1)**	**(12)**	**(15)**	**(20)**
– other comprehensive income	**126**	**(#)**	**(#)**	**2**	**128**
At 31 December	**1,025**	**180**	**61**	**1,764**	**3,030**
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**9**	**(1)**	**169**	**19**	**196**

(1) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*
(2) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*
(3) *# represents amounts less than $0.5 million.*

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41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

GROUP $ million	2018 Debt and equity securities	Loans and bills receivable	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value					
At 1 January	738	–	28	1,239	2,005
Effect of adopting SFRS(I) 9	–	259	–	–	259
Adjusted balance at 1 January	738	259	28	1,239	2,264
Purchases	156	113	3	281	553
Settlements/disposals	(155)	(118)	(#)	(221)	(494)
Transfers in to Level 3 [1]	15	18	–	4	37
Gains/(losses) recognised in					
– profit or loss	42	(1)	41	21	103
– other comprehensive income	87	1	(1)	26	113
At 31 December	883	272	71	1,350	2,576
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	34	(1)	79	82	194

(1) *Relates to transfers from amortised cost to Level 3 due to use of inputs not based on market observable data.*
(2) *# represents amounts less than $0.5 million.*

Gains/(losses) included in profit or loss are presented in the income statement as follows:

GROUP $ million	2019 Net interest income	Trading income	Other income	Total	2018 Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	–	(5)	(15)	(20)	#	82	21	103
Unrealised gains included in profit or loss for assets held at the end of the year	–	177	19	196	–	112	82	194

(1) *# represents amounts less than $0.5 million.*

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

BANK $ million	2019 Debt and equity securities	Loans and bills receivable	Derivative receivables	Total	2018 Debt and equity securities	Loans and bills receivable	Derivative receivables	Total
Financial assets measured at fair value								
At 1 January	546	250	47	843	565	–	22	587
Effect of adopting SFRS(I) 9	–	–	–	–	–	231	–	231
Adjusted balance at 1 January	546	250	47	843	565	231	22	818
Purchases	12	1	1	14	114	113	3	230
Settlements/disposals	(88)	(79)	–	(167)	(120)	(92)	–	(212)
Gains/(losses) recognised in								
– profit or loss	(9)	(1)	5	(5)	(2)	(2)	22	18
– other comprehensive income	(19)	(#)	–	(19)	(11)	#	–	(11)
At 31 December	442	171	53	666	546	250	47	843
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	(8)	(1)	162	153	(10)	(2)	58	46

(1) *# represents amounts less than $0.5 million.*

Gains/(losses) included in profit or loss are presented in the income statement as follows:

BANK $ million	2019 Net interest income	Trading income	Other income	Total	2018 Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	–	(5)	–	(5)	#	18	–	18
Unrealised gains included in profit or loss for assets held at the end of the year	–	153	–	153	–	46	–	46

(1) *# represents amounts less than $0.5 million.*

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For the financial year ended 31 December 2019

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

	GROUP				BANK			
	2019		2018		2019		2018	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**26**	**26**	14	14	**2**	**2**	8	8
Issues	**18**	**18**	11	11	**18**	**18**	11	11
Settlements/disposals	**–**	**–**	(#)	(#)	**–**	**–**	–	–
Transfers in to Level 3 [1]	**1**	**1**	–	–	**–**	**–**	–	–
Losses/(gains) recognised in								
– profit or loss	**(2)**	**(2)**	2	2	**13**	**13**	(17)	(17)
– other comprehensive income	**(#)**	**(#)**	(1)	(1)	**–**	**–**	–	–
At 31 December	**43**	**43**	26	26	**33**	**33**	2	2
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(193)**	**(193)**	(38)	(38)	**(184)**	**(184)**	(18)	(18)

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*

(2) *# represents amounts less than $0.5 million.*

Gains/(losses) included in profit or loss are presented in the income statements as follows:

	GROUP				BANK			
	2019		2018		2019		2018	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains/(losses) included in profit or loss for the year ended	**2**	**2**	(2)	(2)	**(13)**	**(13)**	17	17
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(193)**	**(193)**	(38)	(38)	**(184)**	**(184)**	(18)	(18)

Movements in Level 3 Non-Financial Assets

	GROUP			
	2019		2018	
$ million	Life insurance fund investment properties	Total	Life insurance fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	**1,771**	**1,771**	1,553	1,553
Purchases/transfers	**1**	**1**	180	180
Sales	**–**	**–**	(1)	(1)
Gains/(losses) recognised in				
– profit or loss	**14**	**14**	40	40
– other comprehensive income	**(#)**	**(#)**	(1)	(1)
At 31 December	**1,786**	**1,786**	1,771	1,771

(1) *# represents amounts less than $0.5 million.*

42. Offsetting Financial Assets and Financial Liabilities

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

				Related amounts not offset on balance sheet		
Types of financial assets/liabilities GROUP ($ million)	Carrying amounts on balance sheet (A)	Amount not subject to netting agreement (B)	Amount subject to netting agreement (A – B = C + D + E)	Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2019						
Financial assets						
Derivative receivables	**7,349**	**2,090**	**5,259**	**4,183**	**193**	**883**
Reverse repurchase agreements	**2,564** [1]	**557**	**2,007**	**1,994**	**–**	**13**
Securities borrowings	**21** [2]	**–**	**21**	**6**	**–**	**15**
Total	**9,934**	**2,647**	**7,287**	**6,183**	**193**	**911**
Financial liabilities						
Derivative payables	**7,687**	**1,726**	**5,961**	**4,183**	**684**	**1,094**
Repurchase agreements	**1,628** [3]	**1,533**	**95**	**95**	**–**	**–**
Securities lendings	**402** [4]	**402**	**–**	**–**	**–**	**–**
Total	**9,717**	**3,661**	**6,056**	**4,278**	**684**	**1,094**
2018						
Financial assets						
Derivative receivables	7,201	2,575	4,626	3,558	289	779
Reverse repurchase agreements	4,686 [1]	1,196	3,490	3,490	–	–
Securities borrowings	29 [2]	–	29	23	–	6
Total	11,916	3,771	8,145	7,071	289	785
Financial liabilities						
Derivative payables	7,105	1,861	5,244	3,558	1,101	585
Repurchase agreements	1,466 [3]	836	630	630	–	–
Securities lendings	323 [4]	323	–	–	–	–
Total	8,894	3,020	5,874	4,188	1,101	585

(1) *Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *Cash collateral placed under securities borrowings are presented under placements with and loans to banks and other assets on the balance sheet, and are measured at amortised cost.*

(3) *Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.*

(4) *Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.*

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42. Offsetting Financial Assets and Financial Liabilities (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Amount not subject to netting agreement (B)	Amount subject to netting agreement (A – B = C + D + E)	Related amounts not offset on balance sheet: Financial instruments (C)	Related amounts not offset on balance sheet: Collateral (D)	Net amounts in scope (E)
2019						
Financial assets						
Derivative receivables	**6,324**	**1,251**	**5,073**	**4,108**	**174**	**791**
Reverse repurchase agreements	**2,511** (1)	**513**	**1,998**	**1,985**	**–**	**13**
Securities borrowings	**4** (2)	**–**	**4**	**4**	**–**	**–**
Total	**8,839**	**1,764**	**7,075**	**6,097**	**174**	**804**
Financial liabilities						
Derivative payables	**6,743**	**1,153**	**5,590**	**4,108**	**525**	**957**
Repurchase agreements	**95** (3)	**–**	**95**	**95**	**–**	**–**
Total	**6,838**	**1,153**	**5,685**	**4,203**	**525**	**957**
2018						
Financial assets						
Derivative receivables	5,331	1,259	4,072	3,275	165	632
Reverse repurchase agreements	4,660 (1)	1,176	3,484	3,484	–	–
Securities borrowings	13 (2)	–	13	13	–	–
Total	10,004	2,435	7,569	6,772	165	632
Financial liabilities						
Derivative payables	5,252	852	4,400	3,275	752	373
Repurchase agreements	630 (3)	–	630	630	–	–
Total	5,882	852	5,030	3,905	752	373

(1) *Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *Cash collateral placed under securities borrowings are presented under placements with and loans to banks on the balance sheet, and are measured at amortised cost.*

(3) *Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.*

43. Contingent Liabilities

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,610,301**	4,319,456	**3,411,718**	3,350,701
Term to maturity of more than one year	**2,691,041**	2,357,153	**1,789,204**	1,474,099
	7,301,342	6,676,609	**5,200,922**	4,824,800
Acceptances and endorsements	**1,448,285**	1,095,812	**930,235**	466,834
Documentary credits and other short term trade-related transactions	**5,194,781**	4,192,013	**4,309,226**	3,273,579
	13,944,408	11,964,434	**10,440,383**	8,565,213
43.1 Analysed by Industry				
Agriculture, mining and quarrying	**229,299**	77,630	**17,662**	99,805
Manufacturing	**1,127,002**	1,560,800	**359,542**	480,407
Building and construction	**2,197,505**	1,757,310	**1,262,733**	736,127
General commerce	**7,532,137**	5,387,832	**6,645,473**	4,590,359
Transport, storage and communication	**512,522**	576,778	**435,088**	457,566
Financial institutions, investment and holding companies	**787,927**	697,767	**543,776**	611,443
Professionals and individuals	**301,972**	228,573	**45,990**	55,523
Others	**1,256,044**	1,677,744	**1,130,119**	1,533,983
	13,944,408	11,964,434	**10,440,383**	8,565,213
43.2 Analysed by Geography				
Singapore	**9,706,317**	7,085,359	**9,496,753**	7,050,382
Malaysia	**1,193,565**	1,267,939	**6,359**	6,126
Indonesia	**1,001,632**	1,159,064	**–**	–
Greater China	**1,615,035**	1,932,685	**499,143**	978,912
Other Asia Pacific	**220,073**	256,498	**230,342**	266,904
Rest of the World	**207,786**	262,889	**207,786**	262,889
	13,944,408	11,964,434	**10,440,383**	8,565,213

Contingent liabilities analysed by geography is based on the country where the transactions are recorded.

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44. Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
44.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**131,992,359**	124,392,476	**56,893,865**	54,734,471
Term to maturity of more than one year	**21,806,350**	18,321,731	**32,429,837**	30,057,578
	153,798,709	142,714,207	**89,323,702**	84,792,049
44.2 Other Commitments				
Operating lease (non-cancellable) commitments: (1)				
Within 1 year	**–**	82,059	**–**	81,364
After 1 year but within 5 years	**–**	126,565	**–**	35,113
Over 5 years	**–**	8,746	**–**	4,499
	–	217,370	**–**	120,976
Capital commitment authorised and contracted	**199,019**	204,703	**239,702**	125,767
Forward deposits and assets purchase	**2,295,183**	647,045	**5,774,445**	626,272
	2,494,202	1,069,118	**6,014,147**	873,015
44.3 Total Commitments	**156,292,911**	143,783,325	**95,337,849**	85,665,064

(1) *From 1 January 2019, the Group has recognised ROU assets for these leases, except for short-term leases and low-value assets.*

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
44.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,260,274**	1,370,865	**476,816**	661,424
Manufacturing	**9,435,030**	9,601,792	**4,212,356**	4,412,119
Building and construction	**15,685,078**	16,555,823	**11,330,932**	12,808,761
General commerce	**23,394,029**	21,370,428	**18,867,490**	17,041,989
Transport, storage and communication	**4,098,990**	2,971,927	**3,142,068**	2,465,552
Financial institutions, investment and holding companies	**42,604,791**	37,254,422	**33,076,752**	30,745,810
Professionals and individuals	**49,543,725**	46,872,065	**13,014,202**	12,337,125
Others	**7,776,792**	6,716,885	**5,203,086**	4,319,269
	153,798,709	142,714,207	**89,323,702**	84,792,049
44.5 Credit Commitments Analysed by Geography				
Singapore	**113,241,431**	103,743,918	**74,391,796**	69,127,914
Malaysia	**7,847,993**	7,629,720	**125,812**	280,771
Indonesia	**5,024,606**	4,210,361	**–**	–
Greater China	**21,924,023**	22,754,690	**9,026,378**	10,994,426
Other Asia Pacific	**2,197,245**	2,035,039	**2,198,754**	2,036,581
Rest of the World	**3,563,411**	2,340,479	**3,580,962**	2,352,357
	153,798,709	142,714,207	**89,323,702**	84,792,049

Credit commitments analysed by geography is based on the country where the transactions are recorded.

45. Unconsolidated Structured Entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Group. The Group's transactions in these structured entities are for investment opportunities as well as to facilitate client transactions. The Group's maximum exposure to loss is primarily limited to the carrying amount on its balance sheet and loan and capital commitments to these structured entities.

The following table summarises the carrying amount of the assets and liabilities recognised in the Group's financial statements relating to the interests in unconsolidated structured entities undertaken by business segments.

GROUP ($million)	Global investment banking	Insurance	Others	Total
2019				
FVOCI investments	**57**	**–**	**#**	**57**
FVTPL investments	**–**	**85**	**–**	**85**
Other assets	**–**	**7**	**–**	**7**
Total assets	**57**	**92**	**#**	**149**
Other liabilities	**–**	**–**	**#**	**#**
Total liabilities	**–**	**–**	**#**	**#**
Other commitments				
Loan and capital commitments authorised and contracted (1)	**23**	**–**	**–**	**23**
Income earned from sponsored structured entities (2)	**1**	**48**	**36**	**85**
Assets of structured entities	**445**	**5,069**	**2,593**	**8,107**
2018				
FVOCI investments	58	–	#	58
FVTPL investments	–	132	–	132
Other assets	–	8	–	8
Total assets	58	140	#	198
Other liabilities	–	1	#	1
Total liabilities	–	1	#	1
Other commitments				
Loan and capital commitments authorised and contracted (1)	23	–	–	23
Income earned from sponsored structured entities (2)	–	53	11	64
Assets of structured entities	448	3,851	1,329	5,628

(1) *These were also included in the Group's capital commitments authorised and contracted in Note 44.*

(2) *The income earned relates primarily to management fee, interest income or fair value gains or losses recognised by the Group arising from the interests held by the Group in the unconsolidated investment funds.*

(3) *# represents amounts less than $0.5 million.*

The amount of assets transferred to sponsored entities during 2019 and 2018 were not significant.

Notes to the Financial Statements

For the financial year ended 31 December 2019

46. Financial Assets Transferred

46.1 Assets Pledged

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**–**	–	**–**	312,750
– Others	**92,134**	27,962	**16,581**	10,504
Placements with and loans to banks (Note 25)	**50,992**	124,661	**44,246**	120,782
Loans and bills receivable (Note 26)	**303,640**	309,155	**–**	–
Debt securities (Note 29)	**718,961**	642,795	**61,631**	563,312
	1,165,727	1,104,573	**122,458**	1,007,348
Obligations to repurchase assets pledged	**759,326**	721,321	**94,654**	941,472

(a) The amounts received from repurchase transactions are recognised as collateralised borrowings, "obligations to repurchase assets pledged", measured at amortised cost and included in deposits of banks and non-bank customers and other liabilities on the balance sheet. The above assets pledged as collateral for repurchase transactions are not derecognised but are presented separately on the balance sheet.

(b) The amounts paid in reverse repurchase transactions are recognised as collateralised lendings, measured at amortised cost and included in loans to banks and non-bank customers as appropriate. The financial assets accepted as collateral for reverse repurchase transactions are not recognised as assets on the balance sheet. The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $2.35 billion (2018: $4.03 billion), of which $0.03 billion (2018: $0.31 billion) have been sold or re-pledged. The Group is obliged to return equivalent assets.

(c) Transactions are conducted under terms and conditions that are usual and customary to standard securities lending (equivalent to repurchase transactions) and securities borrowing (equivalent to reverse repurchase transactions).

46.2 Assets Assigned as Security for Covered Bonds Issued (Note 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore home loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 34.4). These home loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2019, the carrying amounts of the covered bonds in issue was $3.47 billion (2018: $3.53 billion), while the carrying amounts of assets assigned was $6.91 billion (2018: $6.00 billion). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

47. Assets Held for Sale

Assets held for sale comprise properties which the Group is disposing of, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the financial year ending 31 December 2020.

48. Minimum Lease Rental Receivable

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Within 1 year	**43,480**	48,640	**16,132**	17,962
After 1 year but within 5 years	**66,771**	36,556	**8,421**	9,099
Over 5 years	**2,224**	–	**–**	–
	112,475	85,196	**24,553**	27,061

The Group leases retail, commercial and hotel space to third parties with varying terms including variable rent, escalation clauses and renewal rights.

49. Related Party Transactions

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

49.1 Material related party balances at the balance sheet date and transactions during the financial year were as follows:

$ million	GROUP Associates	GROUP Life insurance fund	BANK Subsidiaries	BANK Associates	BANK Life insurance fund
(a) Loans, placements and other receivables					
At 1 January 2019	80	141	22,808	#	–
Net change	(5)	269	(4,735)	74	104
At 31 December 2019	**75**	**410**	**18,073**	**74**	**104**
(b) Deposits, borrowings and other payables					
At 1 January 2019	366	1,340	20,938	142	653
Net change	(19)	(346)	497	(4)	(221)
At 31 December 2019	**347**	**994**	**21,435**	**138**	**432**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2019	–	4	16,932	–	4
Net change	–	2	2,725	–	2
At 31 December 2019	**–**	**6**	**19,657**	**–**	**6**
(d) Income statement transactions					
Year ended 31 December 2019					
Interest income	**1**	**10**	**363**	**#**	**#**
Interest expense	**6**	**18**	**472**	**2**	**3**
Rental income	**–**	**2**	**27**	**–**	**#**
Fee and commission and other income	**–**	**225**	**57**	**–**	**167**
Rental and other expenses	**25**	**37**	**359**	**25**	**#**
Year ended 31 December 2018					
Interest income	7	7	363	#	#
Interest expense	4	14	416	2	3
Rental income	–	2	23	–	–
Fee and commission and other income	–	197	57	–	142
Rental and other expenses	20	12	312	20	#

(1) *Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.*
(2) *# represents amounts less than $0.5 million.*

During the financial year, the Group had banking transactions with director-related and key management-related entities and personnel of the Group. These transactions were not material.

Notes to the Financial Statements

For the financial year ended 31 December 2019

49. Related Party Transactions (continued)

49.2 Key Management Personnel Compensation

	BANK	
	2019 $ million	2018 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**44**	41
Share-based benefits	**16**	16
	60	57

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2019 included in the above table are subject to the approval of the Remuneration Committee.

50. Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition with an optimal mix of capital instruments in order to keep our overall cost of capital low.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2019.

$ million	Basel III 2019	Basel III 2018
Tier 1 Capital		
Ordinary shares	**17,261**	15,750
Disclosed reserves/others	**21,452**	19,219
Regulatory adjustments	**(6,913)**	(6,901)
Common Equity Tier 1 Capital	**31,800**	28,068
Additional Tier 1 capital	**1,531**	1,572
Regulatory adjustments	**–**	–
Tier 1 Capital	**33,331**	29,640
Tier 2 capital	**2,661**	3,347
Regulatory adjustments	**–**	(1)
Total Eligible Capital	**35,992**	32,986
Credit	**183,439**	171,487
Market	**14,751**	14,669
Operational	**15,166**	14,092
Risk Weighted Assets	**213,356**	200,248
Capital Adequacy Ratios		
Common Equity Tier 1	**14.9%**	14.0%
Tier 1	**15.6%**	14.8%
Total	**16.8%**	16.4%

51. New Accounting Standards and Interpretations

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. The Group has not adopted the following relevant new/revised financial reporting standards and interpretations that have been issued but not yet effective.

SFRS(I)	Title	Effective for financial year beginning on or after
Various	*Amendments to References to the Conceptual Framework in SFRS(I) Standards*	1 January 2020
SFRS(I) 3 (Amendments)	*Definition of a Business*	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	*Definition of Material*	1 January 2020
SFRS(I) 17	*Insurance Contracts*	1 January 2021
SFRS(I) 10, SFRS(I) 1-28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have a significant impact on the Group's financial statements, except for SFRS(I) 17.

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 was issued in May 2017 as replacement for SFRS(I) 4 *Insurance Contracts*. It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SFRS(I) 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2021[1], with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. GEH Group plans to adopt SFRS(I) 17 on the required effective date and a Project Steering Committee was formed to oversee the implementation of the standard. GEH Group expects that SFRS(I) 17 will result in an important change to the accounting policies for insurance contract liabilities of GEH Group and is likely to have a significant impact on profit and total equity together with GEH Group's financial statements' presentation and disclosures.

(1) *The International Accounting Standards Board published an exposure draft Amendments to IFRS 17 in June 2019 which proposes that the effective date of IFRS 17 Insurance Contracts be deferred by one year, such that it would apply to entities with annual periods beginning on or after 1 January 2022.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

52. Subsequent Events

52.1 National B40 Protection Trust Fund

On 9 November 2018 and 24 January 2019, GEH Group announced that as part of its corporate social responsibility efforts and in line with the objectives of the Malaysian authorities, GEH Group has opted to make a contribution of MYR2 billion (approximately S$0.7 billion) to the National B40 Protection Trust Fund in satisfaction and in lieu of the local shareholder requirement imposed on its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad. Subsequent to the financial year end, GEH Group has received the necessary approval from the relevant authorities and is currently finalising the details of the contribution.

52.2 Coronavirus Outbreak

The coronavirus outbreak since early 2020 has brought about uncertainties to key markets in which the Group operate. The Group has been closely monitoring the impact of the developments on the Group's businesses. As the situation is rapidly evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects presently unknown.

Group's Major Properties

As at 31 December 2019

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value[1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	18,620	1,140,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	91,650	387,300
18 Church Street, OCBC Centre South	Office	100	118,909	65,724	178,660
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	270,076	492,000
11 Tampines Central 1	Office	100	115,824	51,261	113,000
31 Tampines Avenue 4	Office	100	97,572	38,891	87,000
260 Tanjong Pagar Road	Office	100	44,940	7,449	67,400
70 Loyang Drive	Office	100	134,287	114,149	177,000
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	33,776	285,920
2 Mt Elizabeth Link	Residential	100	104,377	19,041	193,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	11,044	56,000
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	508,058	955,000
				1,229,739	4,132,280
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	16,546	39,157
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	4,276	64,811
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	147,950	205,450
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	194,826	342,772
				342,776	548,222
Other properties in					
Singapore				72,005	577,755
Malaysia				12,973	88,623
Indonesia				49,794	156,384
Greater China				1,143,449	1,732,243
Other Asia Pacific				10,956	87,717
Rest of the World				1,511	16,367
				1,290,688	2,659,089
Properties classified as held-for-sale				2,811	20,642
Total [2]				**2,886,836**	**7,464,201**

(1) *Valuations were made by independent firms of professional valuers.*
(2) *Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.*

Shareholding Statistics

As at 9 March 2020

Class of Shares

Ordinary Shares

Voting Rights

One vote per share (other than treasury shares and subsidiary holdings, which are treated as having no voting rights)

Distribution of Shareholders

Size of Holdings	Number of Shareholders	%	Number of Shares Held	%
1 – 99	8,501	8.33	327,336	0.01
100 – 1,000	23,526	23.07	13,228,747	0.30
1,001 – 10,000	53,652	52.61	189,814,266	4.30
10,001 – 1,000,000	16,161	15.85	734,469,577	16.66
1,000,001 and above	146	0.14	3,470,754,469	78.73
Total	**101,986**	**100.00**	**4,408,594,395**	**100.00**

Number of issued shares (including treasury shares): 4,408,594,395
Number of treasury shares held: 8,325,600
Number of subsidiary holdings held: Nil
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares: 0.19%

Note:
"Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Twenty Largest Shareholders

Shareholders	Number of Shares Held	%*
1. Citibank Nominees Singapore Pte Ltd	672,748,863	15.29
2. DBS Nominees Pte Ltd	520,995,884	11.84
3. Selat Pte Limited	493,975,279	11.23
4. DBSN Services Pte Ltd	284,070,314	6.46
5. HSBC (Singapore) Nominees Pte Ltd	230,744,057	5.24
6. Lee Foundation	194,255,503	4.41
7. Singapore Investments Pte Ltd	157,007,526	3.57
8. Lee Rubber Company Pte Ltd	138,829,991	3.16
9. Raffles Nominees (Pte) Limited	67,743,926	1.54
10. Lee Latex Pte Limited	59,940,381	1.36
11. BPSS Nominees Singapore (Pte.) Ltd.	50,240,264	1.14
12. Herald Investment Pte Ltd	45,153,163	1.03
13. United Overseas Bank Nominees Pte Ltd	44,950,964	1.02
14. Kallang Development (Pte) Limited	43,129,685	0.98
15. Lee Pineapple Company Pte Ltd	29,985,519	0.68
16. Kew Estate Limited	27,447,750	0.62
17. DB Nominees (Singapore) Pte Ltd	25,559,282	0.58
18. Island Investment Company Pte Ltd	18,200,411	0.41
19. Lee Plantations Pte Limited	16,696,206	0.38
20. OCBC Nominees Singapore Pte Ltd	15,637,965	0.36
Total	**3,137,312,933**	**71.30**

** Percentage is calculated based on the total number of issued shares, excluding treasury shares.*

Approximately 72.1% of the issued shares (excluding treasury shares) are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Substantial Shareholders

(As shown in the Register of Substantial Shareholders)

Substantial shareholders	Direct interest No. of Shares	Deemed interest No. of Shares	Total No. of Shares	%*
Lee Foundation	189,310,098 (1)	31,835,411 (2)	221,145,509	5.03
Selat (Pte) Limited	481,399,533 (3)	45,153,163 (4)	526,552,696	11.97

** Percentage is calculated based on the total number of issued shares, excluding treasury shares.*

(1) Does not include shares acquired pursuant to OCBC's Scrip Dividend Scheme in October 2019. As the acquisition did not result in an overall percentage level change in Lee Foundation's total interest in OCBC, no notification of the change was required to be given under the Securities and Futures Act, Chapter 289 (**SFA**).

(2) Represents Lee Foundation's deemed interest in (a) the 29,222,140 shares held by Lee Pineapple Company (Pte) Limited, and (b) the 2,613,271 shares held by Peninsula Plantations Sendirian Berhad.

(3) Does not include shares acquired pursuant to OCBC's Scrip Dividend Scheme in October 2019. As the acquisition did not result in an overall percentage level change in Selat (Pte) Limited's total interest in OCBC, no notification of the change was required to be given under the SFA.

(4) Represents Selat (Pte) Limited's deemed interest in the 45,153,163 shares held by Herald Investment Pte Ltd.

Five-Year Ordinary Share Capital History

(OCBC Group – As at 31 December 2019)

		Number of ordinary shares ('000)		
Year	Particulars	Issued	Held in Treasury	In circulation
2015	Shares issued to non-executive directors	68		
	Shares issued in lieu of dividend	128,564		
	Share buyback		(11,750)	
	Issue of shares pursuant to Share Option Schemes		4,176	
	Issue of shares pursuant to Employee Share Purchase Plan		5,743	
	Issue of shares pursuant to Deferred Share Plan		4,788	
	Year end balance	4,121,561	(6,086)	4,115,475
2016	Shares issued to non-executive directors	58		
	Shares issued in lieu of dividend	72,110		
	Share buyback		(13,614)	
	Issue of shares pursuant to Share Option Schemes		1,497	
	Issue of shares pursuant to Employee Share Purchase Plan		26	
	Issue of shares pursuant to Deferred Share Plan		7,155	
	Year end balance	4,193,729	(11,022)	4,182,707
2017	Shares issued to non-executive directors	55		
	Share buyback		(20,560)	
	Issue of shares pursuant to Share Option Schemes		13,133	
	Issue of shares pursuant to Employee Share Purchase Plan		6,302	
	Issue of shares pursuant to Deferred Share Plan		5,076	
	Year end balance	4,193,784	(7,071)	4,186,713
2018	Shares issued to non-executive directors	53		
	Shares issued in lieu of dividend	62,933		
	Share buyback		(17,225)	
	Issue of shares pursuant to Share Option Schemes		4,553	
	Issue of shares pursuant to Employee Share Purchase Plan		7,635	
	Issue of shares pursuant to Deferred Share Plan		5,322	
	Shares sold for cash		47	
	Year end balance	4,256,770	(6,739)	4,250,031
2019	Shares issued to non-executive directors	54		
	Shares issued in lieu of dividend	151,770		
	Share buyback		(17,130)	
	Issue of shares pursuant to Share Option Schemes		3,127	
	Issue of shares pursuant to Employee Share Purchase Plan		5,635	
	Issue of shares pursuant to Deferred Share Plan		7,523	
	Year end balance	4,408,594	(7,584)	4,401,010

GRI Standards Content Index

Disclosure Number	Disclosure Title	Page Reference and Remarks
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Oversea-Chinese Banking Corporation Limited
102-2	Activities, brands, products and services	Strong focus on executing our corporate strategy, 10-11
102-3	Location of headquarters	63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514
102-4	Location of operations	More than 600 branches and representative offices in 18 countries and regions https://www.ocbc.com/group/who-we-are/group-business.html
102-5	Ownership and legal form	Public limited company listed on the Singapore Exchange
102-6	Markets served	Key markets are Singapore, Malaysia, Indonesia and Greater China
102-7	Scale of the organisation	10–11, 80–81, 121–282
102-8	Information on employees and other workers	80–81
102-9	Supply Chain	83 OCBC engages external service providers in IT, advertising and event management, outsourcing, HR recruitment, legal, real estate/ facilities maintenance and other services.
102-10	Significant changes to the organisation and its supply chain	OCBC confirms that there have been no significant changes to the organisation and its supply chain.
102-11	Precautionary Principle or approach	OCBC does not explicitly refer to the precautionary principle or approach in its Risk Management principles. We seek to create sustainable value for our stakeholders. Please see our approach to responsible finance on pages 66–69 or Risk Management on page 105.
102-12	External initiatives	We have been signatory to the United Nations Global Compact (UNGC) since April 2008 and observe its ten principles in the areas of human rights, labour, the environment and anti-corruption. We became signatory to the United for Wildlife Financial Taskforce in 2018. In 2019, we became signatory to and expressing our support for the Task Force on Climate-related Financial Disclosures (TCFD).
102-13	Membership of associations	OCBC's key memberships include The Association of Banks in Singapore (ABS), The Association of Banks in Malaysia (ABM), The Hong Kong Association of Banks (HKAB), Indonesian Bank Association (Perbanas) and China Banking Association (CBA) OCBC became a pioneer member of Global Compact Network Singapore (GCNS) which is a local chapter of the UNGC in 2006. We are one of the founding members of the National Volunteer & Philanthropy Centre (NVPC) Company of Good in 2016

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102-16	Values, principles, standards, and norms of behaviour	https://www.ocbc.com/group/who-we-are/purpose-values.html
102-17	Mechanisms for advice and concerns about ethics	72
Governance		
102-18	Governance structure	59
Stakeholder Engagement		
102-40	List of stakeholder groups	Reference to website on stakeholder engagement
102-41	Collective bargaining agreements	In Singapore, the Banking & Financial Services Union (BFSU), Singapore Bank Employees' Union (SBEU) and Singapore Manual and Mercantile Workers' Union (SMMWU) represent the applicable cohort on collective bargaining. In West Malaysia, the Association of Bank Officers, Peninsular Malaysia (ABOM) and National Union of Bank Employees, States of Malaya (NUBE) and in East Malaysia, the Sabah Banking Employees' Union and Sarawak Bank Employees' Union represent the applicable cohorts on collective bargaining. The data for percentage of employees covered under collective bargaining is currently unavailable. OCBC aims to provide the data in our next sustainability report.
102-42	Identifying and selecting stakeholders	Reference to website on stakeholder engagement
102-43	Approach to stakeholder engagement	59
102-44	Key topics and concerns raised	Reference to website on stakeholder engagement
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102-48	Restatements of information	70, 83
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	55
102-51	Date of most recent report	Apr 2019
102-52	Reporting cycle	Annual

Disclosure Number	Disclosure Title	Page Reference and Remarks
Reporting Practice (continued)		
102-53	Contact point for questions regarding the report	We welcome your feedback and suggestions at corpcomms@ocbc.com
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Former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Reference to website https://www.ocbc.com/group/who-we-are/responsible-financing.html

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Further Information on Management Committee

Mr Samuel N. Tsien
Group Chief Executive Officer

Mr Tsien was first appointed to the Board on 13 February 2014 and last re-elected as a Director on 29 April 2019. He was appointed Group Chief Executive Officer on 15 April 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 42 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation.

Mr Ching Wei Hong
Deputy President
Global Wealth Management and Consumer Banking

Mr Ching Wei Hong was appointed Deputy President on 9 January 2020 and was previously the Chief Operating Officer from April 2012. He is also currently the Chairman of Bank of Singapore, OCBC Securities, Network for Electronic Transfers (Singapore) as well as Deputy Chairman of Lion Global Investors. In his capacity as Deputy President of OCBC Bank, he is responsible for the Global Wealth Management and Consumer Banking Division, focusing on building the OCBC Group's consumer banking franchise, wealth management, and private banking business in its key markets in Asia. Mr Ching also oversees Group Customer Experience and OCBC Bank's fintech and innovation unit, The Open Vault at OCBC. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 35 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore.

Ms Helen Wong
Deputy President
Global Wholesale Banking

Ms Helen Wong was appointed as Deputy President on 3 February 2020. As the Head of Global Wholesale Banking, she has global responsibility for all banking relationships with small- and medium-sized enterprises, large corporates and financial institutions; two product groups – cash management and trade under the transaction banking business; as well as the investment banking business. Ms Wong has more than 35 years of banking experience, having started out as a Management Trainee in OCBC Bank and was its first China Desk Manager, based at the Hong Kong Branch. She has vast experience in Greater China, covering a wide range of roles in capital markets, syndicated finance and corporate banking. Before returning to OCBC Bank, Ms Wong spent 27 years at HSBC, where her last role was as its Chief Executive for Greater China, which she was appointed to in 2015. She became the President and CEO of HSBC China based in Shanghai in 2010, and was promoted to be Group General Manager in 2011 to recognise her responsibility for the entire business operations and strategic expansion in China. She also held non-executive directorships at Baoshan Iron & Steel from 2012 to 2015, and at Bank of Communications from 2016 to 2019. Ms Wong holds a Bachelor of Social Sciences from the University of Hong Kong.

Mr Darren Tan
Chief Financial Officer

Mr Darren Tan was appointed Executive Vice President and Chief Financial Officer (CFO) in December 2011. As CFO, he oversees financial, regulatory and management accounting and advisory, treasury financial control and advisory, corporate treasury, funding and capital management, corporate planning and development and investor relations. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years in the Government of Singapore Investment Corporation (GIC) with his last position in GIC as Head of Money Markets. He serves as a board member of the Inland Revenue Authority of Singapore (IRAS Board). He is also a council member of the Institute of Singapore Chartered Accountants (ISCA) and an Adjunct Professor at Nanyang Business School. Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst and a Fellow Chartered Accountant of Singapore.

Mr Lam Kun Kin
Global Treasury

Mr Lam Kun Kin was appointed Head of Global Treasury in January 2007 and Senior Executive Vice President in April 2011. He has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia, Hong Kong, China and seven other overseas centres. From 2012 to early 2020, he also held additional responsibility of overseeing the Bank's Global Investment Banking division covering capital markets, corporate finance and mezzanine capital business. Mr Lam has more than 32 years of banking and investment management experience covering global fund management, global markets sales and trading, global investment banking and Asian financial market businesses. Currently, he serves on the boards of Bank of Singapore, OCBC Securities, AVIC Trust and REACH Community Services Society. Mr Lam also serves on Great Eastern Group's Asset/Liability Committee and Investment Committee, the Government of Singapore Investment Corporation's (GIC) Board Risk Committee and the Association of Banks Singapore (ABS) Benchmark Administration Oversight Committee. Prior to joining OCBC Bank, Mr Lam held various senior management positions in GIC, Citibank and Temasek Holdings. In September 2014, he was appointed by the Monetary Authority of Singapore as Co-Chairman of the Singapore Foreign Exchange Market Committee and concurrently chaired the SIBOR benchmark working committee since 2018. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and is a Chartered Financial Analyst, Fellow Chartered Accountant of Singapore, IBF Distinguished Fellow and member of the Singapore Institute of Directors.

Mr Vincent Choo
Group Risk Management

Mr Vincent Choo was appointed Head of Group Risk Management on 1 August 2014. As Chief Risk Officer, he covers the full spectrum of risk, including Credit, Technology and Information Security, Liquidity, Market and Operational Risk Management. He reports jointly to both Group CEO and the Board Risk Management Committee of OCBC Bank. Mr Choo joined OCBC Bank from Deutsche Bank AG where his last appointment was Managing Director and Chief Risk Officer for Asia Pacific. In his 20 years at Deutsche Bank AG, he served in a number of senior roles including Head of Market Risk Management for Asia Pacific, with additional responsibilities for Traded Credit Products, and Head of New Product Approval for Asia. He holds a Master of Arts in Economics from University of Akron.

Mr Linus Goh
Global Commercial Banking

Mr Linus Goh was appointed the Head of Global Commercial Banking in April 2012. In this capacity, he has global responsibility for OCBC Bank's commercial, institutional and transaction banking businesses. He joined OCBC Bank in April 2004 as Executive Vice President and Head of International, and in August 2008, he assumed responsibility for Global Enterprise Banking and Financial Institutions. Mr Goh has over 30 years of banking experience, including 17 years at Citibank, N.A. Singapore, where he held several senior management positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh serves as a board member of the investment arm of Enterprise Singapore, Seeds Capital Private Limited. He also sits on the Pro-Enterprise Panel under the Ministry of Trade and Industry and the SME Committee under the Singapore Business Federation where he chairs the sub-committee on SME Financing and Cost Competitiveness. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore and is an IBF Distinguished Fellow.

Ms Elaine Lam
Global Corporate Banking

Ms Elaine Lam was appointed Head of Global Corporate Banking in April 2016. She is responsible for OCBC Bank's corporate banking business which spans Real Estate, Wholesale Corporate Marketing, Global Commodities Finance as well as the Bank's corporate banking business in all overseas offices. With more than 20 years of experience in corporate banking, Ms Lam also serves in the Institute of Banking and Finance's (IBF) Corporate Banking Workgroup and the Financial Industry Competency Standards' Corporate Banking Working Group. Ms Lam holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University and is an IBF Fellow (Corporate Banking).

Mr Na Wu Beng
CEO, OCBC Wing Hang Bank

Mr Na Wu Beng was appointed Chief Executive Officer of OCBC Wing Hang Bank in August 2014. Prior to this appointment, he was Deputy President Director of Bank OCBC NISP for 10 years. Mr Na assumed the role of Chairman of OCBC Wing Hang Bank (China) in February 2020. Mr Na joined OCBC Bank in 1990 as the General Manager of OCBC Bank's Hong Kong branches. He returned to Singapore in 1999 to take on the role of Head of North Asia overseeing the bank's operations in Hong Kong, China, Taiwan, Korea and Japan. From 2000 to 2004, before his posting to Bank OCBC NISP, he headed OCBC Bank's international banking division and was responsible for branches across eight countries. Mr Na was appointed Executive Vice President in 2001. Before joining OCBC Bank, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry University in the United Kingdom.

Mr Wang Ke
CEO, OCBC Wing Hang Bank [China] Limited

Mr Wang Ke was appointed Chief Executive Officer of OCBC Wing Hang Bank (China) on 9 December 2019. He joined OCBC Wing Hang Bank (China) Limited [previously the OCBC Bank (China) Limited] as Chief Information Officer and Head of IT Department in 2012, and assumed the expanded role as Head of Operations and Technology afterwards. Prior to his current role, Mr Wang was the Regional General Manager of the Pearl River Delta region and was appointed as the Deputy President of OCBC Wing Hang China in March 2015. Mr Wang is conversant with foreign companies' business models in China and has intimate knowledge of the local market and regulations. As an indispensable member of bank's top management, he participated in the strategy formulating, led the implementation of many strategic projects and achieved fruitful results. He has over 20 years of international banking working experience spanning a wide spectrum of fields in China, United States and Singapore. Before joining OCBC Wing Hang Bank (China) Limited, Mr Wang held several senior positions in JPMorgan Chase & Co., McKinsey & Company and United Overseas Bank (China) Limited, where he oversaw the operations, technology and Risk Management and accumulated rich and comprehensive experience in the international financial business management and people engagement. Mr Wang holds a Master of Business Administration degree from Kellogg School of Management at Northwestern University and a bachelor's degree in Computer Science from Peking University.

Mr Bahren Shaari
CEO, Bank of Singapore

Mr Bahren Shaari was appointed Chief Executive Officer of Bank of Singapore in February 2015. Prior to this appointment,

Further Information on Management Committee

he was the Senior Managing Director and Global Market Head of South East Asia. He has more than 30 years of banking experience. Bahren has been a non-executive and independent director of Singapore Press Holdings since April 2012. He is a member of the Council of Presidential Advisers. Bahren was conferred the Public Service Star Medal in 2018 and the Public Service Medal in 2008. Bahren is an IBF Distinguished Fellow and holds a Bachelor of Accountancy degree from the National University of Singapore.

Mr Tan Wing Ming

Regional General Manager for North East Asia

Mr Tan Wing Ming was appointed Regional General Manager of North East Asia and the Chief Executive of OCBC Bank Hong Kong branch since September 2009. In this role, he assumes oversight of the bank's branches in Hong Kong, Japan, Korea and Taiwan. In November 2016, he was promoted to Executive Vice President. Mr Tan joined OCBC Bank in January 2005 as Senior Vice President and Country Head of OCBC Bank's operations in China. Following the local incorporation of OCBC Bank in China in July 2007, he was appointed Director and President of OCBC Bank (China) Limited until his current role. Mr Tan had worked for major American and European investment and commercial banks in Singapore for 10 years. He then started and managed his own private business in China for 11 years before joining OCBC Bank. Mr Tan holds a Bachelor of Arts (Economics) with Honours from Georgetown University and a Master of Business Administration (Finance) from the University of Chicago.

Mr Ong Eng Bin

CEO, OCBC Bank Malaysia

Mr Ong Eng Bin was appointed Chief Executive Officer of OCBC Malaysia in August 2014 and currently oversees the OCBC Group's Malaysian franchise. Prior to this appointment, he was its Head of Business Banking, a role he assumed in 2012 with responsibilities covering corporate and commercial, emerging business and transaction banking. He joined the bank as a management trainee in 1988 and was appointed Head of Corporate Banking and Large Corporates in 2000. Mr Ong holds a Bachelor of Accounting and Finance from the University of Manchester.

Ms Parwati Surjaudaja

President Director and CEO, Bank OCBC NISP

Ms Parwati Surjaudaja was appointed the President Director and CEO of Bank OCBC NISP in December 2008. She joined Bank OCBC NISP as a Director in 1990 and served as a Deputy President Director from 1997. She was appointed President Director and CEO of the bank at end-2008 and was re-elected in 2011, 2014 and 2017 for her current position. She is currently a Board Member of Perbanas and Indonesian Bankers Association. Prior to joining Bank OCBC NISP, Ms Surjaudaja had three years of corporate experience with SGV Utomo – Arthur Andersen. Ms Surjaudaja holds a Master of Business Administration (Accounting) and a Bachelor of Science Cum Laude (Accounting and Finance) from San Francisco State University.

Mr Gan Kok Kim

Global Investment Banking

Mr Gan Kok Kim was appointed Executive Vice President and Head of Global Investment Banking in February 2012. As the Head of Global Investment Banking, he oversees OCBC Bank's debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Gan joined OCBC Bank in 2004 as the Head of Treasury at OCBC Bank (Malaysia). In February 2011, he was also appointed Head of International Treasury. In August 2011, he was given the additional role of Head of Asset Liability Management in Singapore and gave up his Malaysian role. Mr Gan has more than 29 years of trading, investment banking, and management experience and has held various positions in Citibank N.A. He holds a Bachelor of Science in Economics from the Massachusetts Institute of Technology.

Mr Sunny Quek

Consumer Financial Services Singapore

Mr Sunny Quek was appointed Head of Consumer Financial Services Singapore on 13 November 2019. He joined OCBC Bank in December 2012 as Head of Branch and Premier Banking. In the six years, Mr Quek was responsible for formulating and executing the sales and distribution strategy for the consumer banking branch network in Singapore, and supporting the OCBC Premier Banking network in the region. He made significant contributions to the transformation and growth of the retail banking business and led the OCBC Premier Banking business to become a leader in the affluent segment space. In 2018, he spearheaded the transformation of the OCBC Premier Private Client segment to launch an Accredited Investor (AI) platform that offers bespoke wealth solutions to high net worth individuals in Singapore and the region. Mr Quek started his banking career as a trader with Tokai Bank in 1997. He joined Citibank Singapore in 2000 as a Treasury Sales Officer and was appointed Branch Banking Director in 2006. Mr Quek graduated with a Bachelor of Science in Economics from the National University of Singapore.

Mr Tan Chor Sen

Global Enterprise Banking – International

Mr Tan Chor Sen was appointed the Head of Global Enterprise Banking-International in 2012. In addition to overseeing the growth of the emerging business segment in OCBC Bank's core markets, he is also in charge of developing cross-border capabilities and business within the region, leveraging the OCBC network and partner banks in key markets. Mr Tan joined OCBC Bank in 2005 as Head of Emerging Business. He is a council member of the Singapore-Shandong Business Council and Singapore-Tianjin Economic and Trade Council under Enterprise Singapore. Mr Tan has over 30 years of banking experience where he began his career in commercial banking, with postings in consumer banking. He later held several positions in corporate and offshore banking. Mr Tan holds a Bachelor of Business Administration from the National University of Singapore and is an IBF Fellow (Corporate Banking).

Mr Jason Ho

Group Human Resources

Mr Jason Ho joined OCBC Bank in January 2013 as Head of Asset Liability Management. He assumed the role of Head of Group Human Resources in July 2015, following his appointment as Deputy Head, effective January 2015. He has more than 30 years of banking experience and has held senior level positions at KBC Bank, Standard Chartered Bank and Volvo Group Treasury Asia Limited. Mr Ho holds a Bachelor of Business Administration from the National University of Singapore and a Masters in Applied Finance from Macquarie University. He also serves as a Director of the Institute for Human Resource Professionals and is a member of the HR Industry Transformation Advisory Panel.

Mr Lim Khiang Tong

Group Operations and Technology

Mr Lim Khiang Tong joined OCBC Bank in September 2000 and took on the role of Head of IT Management in January 2002. He was appointed Executive Vice President and Head of Group Information Technology in December 2007. In May 2010, he assumed the role of Head of Group Operations and Technology. He has more than 30 years of management experience in strategic technology development, information technology and banking operations. This includes driving regional processing operations, strategic technology initiatives and project management. Since August 2016, he has also assumed oversight of the bank's Quality and Service Excellence and Group Property Management divisions. He holds a Bachelor of Science (Computer Science and Economics) from the National University of Singapore.

Ms Goh Chin Yee

Group Audit

Ms Goh Chin Yee was appointed Head of Group Audit in March 2013 and Executive Vice President in April 2014. She oversees the full spectrum of internal audit activities for OCBC Bank and its subsidiaries. She reports directly to the Audit Committee and administratively to the Group CEO. Prior to this appointment, Ms Goh has worked in diverse functions in the OCBC Group, covering strategic management, investment research, fund management, finance, risk management and treasury business management. Ms Goh holds a Bachelor of Engineering (Civil) with First Class Honours from the National University of Singapore and is a Chartered Financial Analyst.

Ms Loretta Yuen

Group Legal and Regulatory Compliance

Ms Loretta Yuen was appointed General Counsel and Head of Group Legal and Regulatory Compliance in September 2010 and Executive Vice President in June 2015. She oversees the full spectrum of legal and regulatory risks, including anti-money laundering, across OCBC Bank and its subsidiaries, and provides advice on regulatory risks and legal issues involved in decisions to management, so that management can make informed strategic choices within an acceptable legal and regulatory risk profile. Ms Yuen has over 19 years of legal and regulatory experience in banking and finance. She graduated with Second Class Honours in Law from the National University of Singapore and is an IBF Distinguished Fellow.

Mr Peter Yeoh

Group Secretariat

Mr Peter Yeoh joined OCBC Bank in January 1984. Since joining the Bank, he has held responsibilities in finance, accounting, management information services and strategic projects. He was appointed Company Secretary in August 2002, a role that includes responsibilities for corporate governance and board affairs. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.

Mr Vincent Soh

Group Property Management

Mr Vincent Soh was appointed Head, Group Property Management, and Managing Director of OCBC Property Services Pte Ltd, a wholly-owned subsidiary of OCBC Bank, in June 2004. He is responsible for managing the Group's real estate portfolio. He has held senior-level positions in the public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors in the United Kingdom.

Mr Melvyn Low

Global Transaction Banking

Mr Melvyn Low is an industry veteran with more than 26 years of experience and has held senior positions in sales and product management, cash management, trade, and securities services in regional and global banks. Mr Low also served as Director of the Singapore Clearing House Association from 2010 to 2013, where he was a key contributor to the launch of Fast and Secure Transfers, or FAST, platform. In conjunction with the National University of Singapore Business School, he developed the world's first full-credit course on transaction banking for undergraduates in 2012. As a member of the corporate banking workgroup of the Institute of Banking and Finance (IBF), he launched the IBF certification for transaction banking in 2019. Mr Low is an IBF Distinguished Fellow and holds a Master of Business Administration from the University of British Columbia, Canada.

Ms Koh Ching Ching

Group Brand and Communications

As the Head of Group Brand and Communications, Ms Koh Ching Ching oversees OCBC Bank's branding and communications initiatives with the media, employees, customers, shareholders and the general public across its core markets. She has been heading the division since November 2004 and was appointed Executive Vice President in March 2012. Prior to her current role, she led OCBC Bank's franchise expansion efforts in trade finance in Malaysia. Ms Koh had 16 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honours in Business Administration from the National University of Singapore.

International Network

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PT Great Eastern General Insurance Indonesia has 12 branches and/or servicing offices in Indonesia.

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OCBC Bank (Malaysia) Berhad has 33 branches in Malaysia.

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Great Eastern Life Assurance (Malaysia) Berhad has 21 branch offices in Malaysia.

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Great Eastern General Insurance (Malaysia) Berhad has 13 branches and six servicing offices in Malaysia.

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Greater China

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Including its head office, OCBC Wing Hang China has 24 branches and sub-branches in 14 cities namely Beijing, Shanghai, Xiamen, Tianjin, Chengdu, Guangzhou, Shenzhen, Chongqing, Qingdao, Shaoxing, Suzhou, Zhuhai, Foshan,and Huizhou.

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Bank of Ningbo is OCBC Bank's strategic partner in China.

As at end December 2019, it had 374 branches, sub-branches and offices, covering the cities of Ningbo, Shanghai,Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou, Jiaxing and Lishui.

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Hong Kong Branch
9/F Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

Bank of Singapore Limited
Hong Kong Branch
34/F One International Finance Centre
1 Harbour View Street Central
Hong Kong SAR
Tel: (852) 2846 3980
Fax: (852) 2295 3332

OCBC Wing Hang Bank Limited
Head Office
161 Queen's Road Central
Hong Kong SAR
Tel: (852) 2852 5111
Fax: (852) 2541 0036
www.ocbcwhhk.com

OCBC Wing Hang Bank Limited has a total of 36 branches in Hong Kong.

OCBC Wing Hang Credit Limited
Head Office
14/F Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong SAR
Tel: (852) 2251 0321
Fax: (852) 2907 6323
www.ocbcwhcr.com

OCBC Wing Hang Credit Limited has a total of 15 offices in Hong Kong.

Macau SAR

OCBC Wing Hang Bank Limited
Head Office
241 Avenida de Almeida Ribeiro
Macau
Tel: (853) 2833 5678
Fax: (853) 2857 6527
www.ocbcwhmac.com

OCBC Wing Hang Bank Limited has a total of 11 branches in Macau.

Taiwan

OCBC Bank Limited
Taipei Branch
41 Floor, No.68, Sec.5,
Zhongxiao East Road,
Xinyi District,
Taipei City 11065
Taiwan (R.O.C)
Tel: (886) 2 8726 8100
Fax: (886) 2 2722 8908

North America

United States of America

OCBC Bank Limited
Los Angeles Agency
801 South Figueroa Street
Suite 970
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

OCBC Bank Limited
New York Agency
1700 Broadway 18/F New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

Oceania

Australia

OCBC Bank Limited
Sydney Branch
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 5703

Europe

United Kingdom

OCBC Bank Limited
London Branch
The Rex Building 3rd Floor
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) 20 7653 0900
Fax: (44) 20 7489 1132

Bank of Singapore is the trading name of Oversea-Chinese Banking Corporation Limited's private banking business in London.

BOS Wealth Management Europe S.A., UK Branch
The Rex Building 3rd Floor
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) (0) 207 029 5850

Luxembourg

Luxembourg
BOS Wealth Management Europe S.A.
33, rue Ste Zithe
L-2763 Luxembourg
Tel: (352) 28 57 32 2000

Middle East

United Arab Emirates

Bank of Singapore Limited (DIFC Branch)
Office 30-34, Level 28,
Central Park Tower,
Dubai International Financial Centre
P.O. Box 4296
Dubai U.A.E
Tel: (971) 4427 7100

Financial Calendar

Please refer to OCBC website, www.ocbc.com for dates of Annual General Meeting, results announcement and relevant corporate actions.

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Corporate Profile

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 540 branches and representative offices in 19 countries and regions. These include over 280 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 80 branches and offices in Mainland China, Hong Kong SAR and Macau SAR 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.

Corporate Information

Board of Directors
Mr Ooi Sang Kuang
Chairman

Mr Chua Kim Chiu
Mr Koh Beng Seng
Dr Lee Tih Shih
Ms Christina Ong
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja
Mr Tan Ngiap Joo
Ms Tan Yen Yen
Mr Samuel N. Tsien
Mr Wee Joo Yeow

Nominating Committee
Mr Wee Joo Yeow
Chairman

Mr Ooi Sang Kuang
Ms Christina Ong
Mr Pramukti Surjaudaja
Mr Tan Ngiap Joo

Executive Committee
Mr Ooi Sang Kuang
Chairman

Dr Lee Tih Shih
Mr Quah Wee Ghee
Mr Tan Ngiap Joo
Mr Samuel N. Tsien
Mr Wee Joo Yeow

Audit Committee
Mr Chua Kim Chiu
Chairman

Mr Ooi Sang Kuang
Mr Tan Ngiap Joo
Ms Tan Yen Yen

Remuneration Committee
Mr Tan Ngiap Joo
Chairman

Mr Ooi Sang Kuang
Mr Koh Beng Seng
Ms Christina Ong
Ms Tan Yen Yen
Mr Wee Joo Yeow

Risk Management Committee
Mr Koh Beng Seng
Chairman

Mr Ooi Sang Kuang
Mr Chua Kim Chiu
Mr Samuel N. Tsien
Mr Wee Joo Yeow

Ethics and Conduct Committee
Mr Ooi Sang Kuang
Chairman

Dr Lee Tih Shih
Ms Christina Ong
Mr Pramukti Surjaudaja

Secretaries
Mr Peter Yeoh
Ms Sherri Liew

Registered Office
63 Chulia Street
#10-00 OCBC Centre East
Singapore 049514
Tel: (65) 6363 3333 (Personal Banking)
(65) 6538 1111 (Business Banking)
Fax: (65) 6534 3986
Website: www.ocbc.com

Share Registration Office
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6228 0505

Auditors
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388

Partner in charge of the Audit
Mr Leong Kok Keong
(Year of Appointment: 2016)

Investor Relations
Email: Investor-Relations@ocbc.com

OCBC Bank

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W

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