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Pricing Supplement dated 26 February 2018

Oversea-Chinese Banking Corporation Limited

Issue of EUR500,000,000 0.375 per cent. Covered Bonds due 2023
under the U.S.\$10,000,000,000 Global Covered Bond Programme

This document constitutes the Pricing Supplement relating to the issue of Covered Bonds described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated 24 November 2016. This Pricing Supplement contains the final terms of the Covered Bonds and must be read in conjunction with such Offering Memorandum.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Covered Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the "Income Tax Act"), shall not apply if such person acquires such Covered Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Covered Bonds is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, MiFID II); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

1	Issuer:	Oversea-Chinese Banking Corporation Limited
2	Covered Bond Guarantor:	Red Sail Pte. Ltd.
3	Calculation Agent:	The Bank of New York Mellon, London Branch
4	(i) Series Number:	3
	(ii) Tranche Number:	1
5	Specified Currency or Currencies:	Euro (" EUR ")
6	Aggregate Nominal Amount	
	(i) Series:	EUR 500,000,000
	(ii) Tranche:	EUR 500,000,000
7	(i) Issue Price:	99.566% of the Aggregate Nominal Amount
	(ii) Net proceeds:	EUR 496,933,563
8	(i) Specified Denominations:	EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Covered Bonds in definitive form will be issued with a denomination above EUR199,000
	(ii) Calculation Amount:	EUR 1,000
9	(i) Issue Date:	1 March 2018
	(ii) Interest Commencement Date	Issue date
10	(i) Maturity Date:	1 March 2023
	(ii) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	Interest Payment Date falling on or nearest to 1 March 2024
11	Interest Basis:	0.375% Fixed Rate payable annually in arrear for the period from and including the Issue Date to but excluding the Maturity Date 1 Month EURIBOR -0.02% Floating Rate payable monthly in arrear for the period

from and including the Maturity Date to but excluding the Extended Due for Payment Date

(further particulars specified below)

- 12 Redemption/Payment Basis: Redemption at par
- 13 Change of Interest or Redemption: Applicable if and only to the extent the Extended Due for Payment Date is applicable (as specified in paragraphs 10, 11, 18 and 19)
- 14 Put/Call Options: Not Applicable
- 15 (i) Status of the Covered Bonds: The Covered Bonds will constitute direct, unsecured and unsubordinated obligations of the Issuer
- (ii) Status of the Covered Bond Guarantee: The Covered Bond Guarantee is secured and unsubordinated
- 16 Listing: SGX-ST
- 17 Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18 Fixed Rate Covered Bond Provisions: Applicable from and including the Issue Date to but excluding the Maturity Date
- (i) Rate of Interest: 0.375% per annum payable annually in arrear
- (ii) Interest Payment Date(s): 1 March in each year commencing on the Interest Payment Date falling on 1 March 2019 and ending on the Maturity Date, adjusted in accordance with the Modified Following Business Day Convention, **provided however that** after the Extension Determination Date, the Interest Payment Date shall be monthly.
- (iii) Fixed Coupon Amount: EUR 3.75 per Calculation Amount
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: Actual/Actual (ICMA)
- (vi) Determination Dates: Not Applicable

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: Not Applicable
- 19 Floating Rate Covered Bond Provisions: Applicable from and including the Maturity Date to but excluding the Extended Due for Payment Date if payment of the Final Redemption Amount is deferred pursuant to Condition 5(a) (*Redemption by Instalments and Final Redemption*)
- (i) Interest Period(s): The period beginning on and including the Maturity Date and ending on but excluding the first Specified Interest Payment Date and each successive period beginning on and including a Specified Interest Payment Date and ending on but excluding the next succeeding Specified Interest Payment Date, subject to adjustment in accordance with the Business Day Convention set out in (iv) below
- (ii) Specified Interest Payment Dates: The 1st day of each month, commencing on but excluding the Maturity Date and ending on and including the Extended Due for Payment Date, subject to adjustment in accordance with the Business Day Convention set out in (iv) below
- (iii) Interest Period End Date: Not Applicable
- (iv) Business Day Convention: Modified Following Business Day Convention
- (v) Business Centre(s): London, Singapore, TARGET2
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: Screen Rate Determination
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): Not Applicable
- (viii) Screen Rate Determination: Applicable
- Reference Rate: 1 Month EURIBOR

–	Interest Determination Date(s):	The day falling two TARGET Business Days prior to the first day of the Interest Accrual Period
–	Relevant Screen Page:	EURIBOR01 (or any substitute page thereof from time to time) 11.00 a.m. (Brussels time) on the Interest Determination Date
(ix)	ISDA Determination:	Not Applicable
(x)	Margin(s):	-0.02% per annum
(xi)	Minimum Rate of Interest:	Not Applicable
(xii)	Maximum Rate of Interest:	Not Applicable
(xiii)	Day Count Fraction:	Actual/360
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:	Not Applicable

20 Zero Coupon Covered Bond Provisions: Not Applicable

PROVISIONS RELATING TO REDEMPTION

21 Call Option: Not Applicable

22 Final Redemption Amount of each Covered Bond: EUR 1,000 per Calculation Amount

23 Early Redemption Amount: EUR 1,000 per Calculation Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/ or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

24 Form of Covered Bonds:

Registered Covered Bonds:

Regulation S Global Covered Bond (EUR 500,000,000 nominal amount) registered in the name of a nominee for a common

	depository for Euroclear and Clearstream, Luxembourg
25 Financial Centre(s) or other special provisions relating to Payment Dates:	London, Singapore, TARGET2
26 Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	Not Applicable
27 Details relating to Partly-Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:	Not Applicable
28 Details relating to Instalment Covered Bonds: amount of each instalment (" Instalment Amount "), date on which each payment is to be made (" Instalment Date "):	Not Applicable
29 Other terms or special conditions:	Not Applicable

DISTRIBUTION

30 (i) If syndicated, names of Managers:	Barclays Bank PLC, Singapore Branch BNP Paribas Norddeutsche Landesbank – Girozentrale - Oversea-Chinese Banking Corporation Limited UniCredit Bank AG
(ii) Stabilising Manager (if any):	Barclays Bank PLC, Singapore Branch
31 If non-syndicated, name of Dealer:	Not Applicable
32 Whether TEFRA D or TEFRA C was applicable or TEFRA rules not applicable:	TEFRA not applicable
33 Additional Selling Restrictions:	Not Applicable

OPERATIONAL INFORMATION

34	ISIN:	XS1784059930
35	Common Code:	178405993
36	CUSIP:	Not Applicable
37	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and/or DTC and the relevant identification number(s):	Not Applicable
38	Delivery:	Delivery against payment
39	Additional Paying Agent(s) (if any):	Not Applicable

GENERAL

40	Applicable Governing Document:	Trust Deed dated 23 November 2016
41	Governing Law:	English law, save that defined terms incorporated by reference from the Master Definitions Agreement shall be governed by and construed in accordance with Singapore law

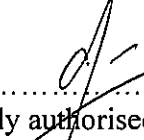
PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Covered Bonds described herein pursuant to the U.S.\$10,000,000,000 Global Covered Bond Programme of Oversea-Chinese Banking Corporation Limited.

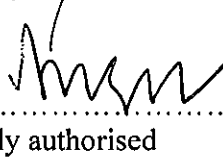
RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Oversea-Chinese Banking Corporation Limited:

By: 
Duly authorised

Darren Tan
Chief Financial Officer

By: 
Duly authorised

Ang Suat Ching
Head, Funding and Capital Management
OCBC Bank

SCHEDULE TO THE PRICING SUPPLEMENT

The Offering Memorandum is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Memorandum. Save as otherwise defined herein, terms defined in the Offering Memorandum have the same meaning when used in this Schedule 1.

DOCUMENTS INCORPORATED BY REFERENCE

The Offering Memorandum should be read and construed in conjunction with the Issuer's published audited consolidated annual financial statements for the financial year ended 31 December 2016 released on 14 February 2017.

The Offering Memorandum should also be read and construed in conjunction with the Issuer's published audited consolidated annual financial statements for the financial year ended 31 December 2017 released on 14 February 2018.

RISK FACTORS

The following risk factor shall be included in the section of the Offering Memorandum entitled "*Risk Factors – Risk related to the Covered Bonds*":

Risks related to Covered Bonds which are linked to "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions of the Covered Bonds, or result in other consequences, in respect of any Covered Bonds linked to such benchmark. Any such consequence could have a material adverse effect on the value of and return on any such Covered Bonds.

The sub-section "*Risk Factors – Risks relating to the Issuer's Business – The Issuer may be subject to a statutory bail-in regime in the future*" appearing on page 45 of the Offering Memorandum be deleted in its entirety and substituted therefor with the following:

"The Issuer may be subject to a statutory bail-in regime in the future

On 1 August 2017, the Monetary Authority of Singapore (Amendment) Act 2017 (the "MAS Amendment Act") was gazetted. This sets out amendments to the Monetary

Authority of Singapore Act, Chapter 186 of Singapore which establish the legislative framework for the resolution and recovery of distressed financial institutions, including temporary stays and suspensions, statutory bail-in powers, cross-border recognition of resolution actions, creditor safeguards and resolution funding. The relevant amendments relating to the resolution framework have not come into force. Certain aspects of the framework will be implemented by way of regulations which have not been released.

The amendments under the MAS Amendment Act will, when they come into force, grant the MAS statutory powers to write down or convert a financial institution's debt into equity. The classes of instruments and entities that are subject to bail-in will be prescribed in regulations that have not yet been released, but the intention at the present time is to apply the bail-in tool to locally incorporated banks and bank holding companies. The scope of bail-in is intended to be limited to unsecured subordinated debt and loans, contingent convertible instruments and other existing instruments that already have bail-in clauses. In the event of bail-in, the amendments will provide for the suspension of all shareholders' voting rights on matters which require shareholders' approval, until the Minister has assessed whether any new shareholders, arising from the conversion of creditor claims into shares, can become significant shareholders, if they have reached the relevant shareholding thresholds. This will ensure that only fit and proper persons can exercise voting rights attached to significant stakes in the financial institution. When exercising its bail-in powers, the MAS must have regard to the desirability of giving each pre-resolution creditor or pre-resolution shareholder of the financial institution the treatment the pre-resolution creditor or pre-resolution shareholder would have enjoyed had the financial institution been wound up.

The MAS Amendment Act also contains legislative amendments which empower the MAS to make regulations to require institutions which are in scope to insert contractual bail-in clauses into liabilities which fall within the scope of the MAS' statutory bail-in powers but which are governed by foreign laws, to allow the MAS to write down or convert these liabilities into equity.

The implementation of such a regime could impact the Issuer's future capital and funding structure and, accordingly, could affect the Issuer's business."

In the sub-section "*Risk Factors - Risks relating to the CBG - Fixed security interests may take effect under Singapore law as floating charges*", the following words appearing on pages 52 and 53 of the Offering Memorandum:

"The fixed charges purported to be granted by the CBG and the Assets Trustee on behalf of the CBG Beneficiary may instead take effect under Singapore law as floating charges, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed security interest. If the fixed charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the remuneration, debts, liabilities and expenses of or incurred by any judicial manager or liquidator and/or winding-up and the claims of certain preferential creditors would rank ahead of the claims of the Security Trustee in this

regard. Certain employee claims (in respect of wages/salary and retrenchment benefits/ex gratia payments, employer contributions to certain superannuation or provident funds and remuneration in respect of vacation leave, as may be prescribed by the Minister by order published in the Gazette, and workers' compensation due in respect of injury compensation under the Work Injury Compensation Act of Singapore also have preferential status. In this regard, it should be noted that the CBG has agreed in the Transaction Documents not to have any employees. Outside winding-up or judicial management, creditors who would have priority in the case of winding-up over the claims of a floating charge would continue to have such priority preserved if a receiver (which would include a receiver and manager) were appointed over the assets that are subject to the floating charge."

shall be deemed to be replaced with:

"The fixed charges purported to be granted by the CBG and the Assets Trustee on behalf of the CBG Beneficiary may instead take effect under Singapore law as floating charges, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed security interest. If the fixed charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the remuneration, debts, liabilities and expenses of or incurred by any judicial manager (though note the discussion on judicial management below) or liquidator and/or winding up and the claims of certain preferential creditors would rank ahead of the claims of the Security Trustee in this regard. Certain employee claims (in respect of wages/salary and retrenchment benefits/ex gratia payments, employer contributions to certain superannuation or provident funds and remuneration in respect of vacation leave, as may be prescribed by the Minister by order published in the Gazette) and workers' compensation due in respect of injury compensation under the Work Injury Compensation Act of Singapore also have preferential status. In this regard, it should be noted that the CBG has agreed in the Transaction Documents not to have any employees. Further, pursuant to section 227B(7) of the Companies Act, read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017, a judicial management order shall not be made in relation to a covered bond special purpose vehicle (i.e. the CBG), though under section 227B(10) the Court may do so if it considers that the public interest so requires. Outside winding up or judicial management, creditors who would have priority in the case of winding up over the claims of a floating charge would continue to have such priority preserved if a receiver (which would include a receiver and manager) were appointed over the assets that are subject to the floating charge."

In the sub-section "*Risk Factors – Risks relating to the CBG – Certain claims rank ahead of a fixed charge under Singapore law*", the following words appearing on page 53 of the Offering Memorandum:

"In this regard, if any of the above-mentioned charges take effect, they will rank ahead of the fixed charges granted under the Singapore Deed of Charge."

shall be deemed to be replaced with:

“In this regard, if any of the abovementioned charges take effect, they will rank ahead of the fixed charges granted under the Singapore Deed of Charge. Further, if the CBG or the bank (as Seller or Assets Trustee) enters into judicial management or a creditors’ scheme of arrangement, subject to certain safeguards security of higher or equal priority may be granted in favour of a rescue financier (sections 211E and 227HA of the Companies Act respectively). However, in relation to judicial management, pursuant to section 227B(7) of the Companies Act, a judicial management order shall not be made in relation to a bank or a covered bond special purpose vehicle (i.e. the CBG) (when read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017). Note however that the Court may nevertheless grant a judicial management order in relation to the bank (i.e. the Seller or Assets Trustee) or the CBG if it considers that the public interest so requires. If so, section 227HA of the Companies Act may apply. In relation to a creditors’ scheme of arrangement, section 211A of the Companies Act read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017 provides that sections 211B to 211J of the Companies Act (including section 211E) shall not apply to a bank (i.e. the Seller or the Assets Trustee) or the CBG.”

In the sub-section *“Risk Factors – Risks relating to the CBG – There is a risk that consumers may be able to bring an action under consumer protection legislation in Singapore”*, the following words appearing on page 64 of the Offering Memorandum:

“A consumer who has entered a consumer transaction involving an unfair practice may commence an action against the supplier under the CPFTA for a claim of up to S\$30,000. This may potentially include challenges to interest rates. Singapore courts may order restitution of any money, property or other consideration given or furnished by the consumer, award the consumer damages in the amount of any loss or damage suffered by the consumer as a result of the unfair practice, make an order of specific performance against the supplier or make an order varying the contract between the supplier and the consumer.

Accordingly, there is a risk that a consumer may be able to bring an action against OCBC Bank as the provider of the Loan, or (in the case of Non-CPF Loans), where title has passed to the CBG, against the CBG. Apart from the consumer having a claim in damages, it is also open to Singapore courts to vary the loan contract, which may have an impact on other terms under the loan.”

shall be deemed to be replaced with:

“A consumer who has entered a consumer transaction involving an unfair practice may commence an action against the supplier under the CPFTA for a claim of up to S\$30,000. This may potentially include challenges to interest rates. Singapore courts may order restitution of any money, property or other consideration given or furnished by the consumer, award the consumer damages in the amount of any loss or damage suffered by the consumer as a result of the unfair practice, make an order of

specific performance against the supplier or make an order varying the contract between the supplier and the consumer. In addition, it is also possible for the Standards, Productivity and Innovation Board (“SPRING”) as the administering agency of the CPFTA to file injunction applications against an errant retailer.

Accordingly, there is a risk that a consumer may be able to bring an action against OCBC Bank as the provider of the Loan, or (in the case of Non-CPF Loans), where title has passed to the CBG, against the CBG. Apart from the consumer having a claim in damages, it is also open to Singapore courts to vary the loan contract, which may have an impact on other terms under the loan or to impose injunctions on unfair practices.”

The sub-section “*Risk Factors – Risks relating to the CBG – Delays may result from an insolvency of the CBG*” appearing on page 68 of the Offering Memorandum be deleted in its entirety and substituted therefor with the following:

“Delays may result from an insolvency of the CBG

Where the CBG is insolvent and undergoes certain insolvency procedures, there may be delays on the part of the Security Trustee to enforce security provided by the CBG. For one, there would be a moratorium against the enforcement of security once a judicial management application is made, and this moratorium may be extended if a judicial management order is made. Pursuant to section 227B(7) of the Companies Act, read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017, a judicial management order shall not be made in relation to a covered bond special purpose vehicle (i.e. the CBG). However, the Court may nevertheless grant a judicial management order in relation to the CBG if it considers that the public interest so requires. If so, the moratoriums would apply. The permission of the court or the judicial manager would be required to lift the moratorium and this may result in delays in enforcement of security. In addition, there is also a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding up in relation to the CBG (there are wider moratoriums against the enforcement of security under section 211B of the Companies Act in relation to creditors’ schemes of arrangement, though pursuant to section 211A(3) of the Companies Act, read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017, such moratoriums do not apply to the CBG). This moratorium can be lifted with court permission and in the case of judicial management, with the permission of the judicial manager. Accordingly, if there is any need for the Security Trustee to sue CBG in connection with the enforcement of the security, the need to obtain court permission may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

If a judicial manager is appointed, the judicial manager would be able to dispose of security that is the subject of a floating charge and with the permission of the court, security that is the subject of a fixed charge. The costs and expenses of judicial management rank ahead of the claims of the floating chargee.

The Security Trustee would have security in the form of fixed and floating charges over all the assets of the CBG and would be entitled to appoint a receiver and manager of all the assets of CBG. With such rights, and if the Court is satisfied that the prejudice that would be caused to the Security Trustee if the judicial management order is made is disproportionately greater than the prejudice that would be caused to unsecured creditors of the CBG if the application is dismissed, the Security Trustee would have a strong right to object to the appointment of any judicial manager, save only in the case where public interest so requires.”

The sub-section “*Risk Factors – Risks relating to the CBG – Potential reform to Singapore’s insolvency law may affect the Security Trustee’s ability to enforce the security*” appearing on pages 68 and 69 be deleted in its entirety and substituted therefor with the following:

“Reform to Singapore’s insolvency law may affect the Security Trustee’s ability to enforce the security

Amendments to the debt restructuring framework in Singapore came into effect on 23 May 2017. Some of the main amendments include:

- (1) in relation to a creditors’ scheme of arrangement: a wider moratorium against the enforcement of security may be imposed (section 211B of the Companies Act); subject to certain safeguards security of equal or higher priority may be granted in favour of a rescue financier (section 211E of the Companies Act); subject to certain safeguards the Court has a power to cram down on a dissenting class of creditors in the scheme and as such, such class of creditors may nevertheless be bound by the scheme (section 211H of the Companies Act); and subject to certain safeguards the Court may approve a scheme of arrangement without a meeting of creditors (section 211I). However, pursuant to section 211A(3) of the Companies Act, read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017, such provisions do not apply to the bank (i.e. the Seller or Assets Trustee) or the CBG;*
- (2) in relation to judicial management, subject to certain safeguards security of equal or higher priority may be granted in favour of a rescue financier (section 227HA of the Companies Act). Note however that pursuant to section 227B(7) of the Companies Act, a judicial management order shall not be made in relation to a bank or a covered bond special purpose vehicle (i.e. the CBG) (when read with the Companies (Prescribed Companies and Entities) Order 2017 (No. 247 of 2017) as supplemented by the Companies (Prescribed Companies and Entities) (Amendment) Order 2017). However, the Court may nevertheless grant a judicial management order in relation to the bank (i.e. the Seller or Assets Trustee) or the CBG if it considers that the public interest so requires. If so, such provisions in relation to the judicial management may apply to the bank or to the CBG and as such, if there is an application by a rescue financier, security of equal or higher priority to that of the Security Trustee’s may be granted to the said rescue financier; and*
- (3) in relation to judicial management, it used to be that the Court shall dismiss an application for a judicial management order if the making of the order is*

opposed by a person who has appointed or is entitled to appoint such a receiver and manager (i.e. the Security Trustee). Now, the Court must dismiss an application for a judicial management order if the making of the order is opposed by a person who has appointed or is entitled to appoint such a receiver and manager (i.e. the Security Trustee); and the Court is satisfied that the prejudice that would be caused to the said person (i.e. the Security Trustee) if the order is made is disproportionately greater than the prejudice that would be caused to unsecured creditors of the company if the application is dismissed. As such, if the Security Trustee fails to satisfy the Court on the issue of prejudice, there is a risk that Court may not dismiss the application for the judicial management order.”

In the sub-section “*Risk Factors – Risks Relating to the Covered Bonds – Covered Bondholders may be subject to Singapore taxation*” appearing on page 77, the following paragraph shall be deemed to be inserted after the first paragraph thereto:

“It was announced in the Singapore Budget Statement 2018 that the qualifying debt securities scheme will be extended until 31 December 2023, subject to details to be announced by the MAS.”

BUSINESS

In the sub-section “*Business – Loan Loss Provisioning, Interest Accrual and Write-off Policies*”, the following paragraph shall be deemed to be inserted before the first paragraph thereof:

*“On May 12, 2017, the MAS issued the Consultation Paper on Proposed Amendments to Regulatory Requirements in relation to Credit Loss Provisioning which proposes certain amendments to MAS Notice 612 in relation to the changes in the recognition and measurement of allowance for credit losses introduced in SFRS 109. The MAS has released its response to feedback received on October 19, 2017 and re-issued MAS Notice 612 on December 29, 2017 (with effect from January 1, 2018). In MAS Notice 612, MAS removed the regulatory requirement on minimum impairment provisions for credit-impaired exposures and imposed the requirement on D-SIBs to maintain a minimum level of loss allowances for their non-credit-impaired exposures, of 1% of the exposures net of collaterals (“**minimum regulatory loss allowances**”). MAS Notice 612 provides that banks are to measure and recognise loss allowances for expected credit losses, including the minimum regulatory loss allowances, in accordance with the requirements of SFRS 109 (“**accounting loss allowance**”). Where the accounting loss allowance falls below the minimum regulatory loss allowance, a D-SIB is required to recognise the additional loss allowance by establishing a non-distributable regulatory loss allowance reserve through appropriation of retained earnings.”*

SUPERVISION AND REGULATION

The section “*Supervision and Regulation*” appearing on pages 257 to 277 be deleted in its entirety and substituted therefor with the following:

SUPERVISION AND REGULATION

Singapore Banking Industry

Introduction

Singapore licensed banks come within the ambit of the Banking Act and the MAS, as the administrator of the Banking Act, supervises and regulates the banks and their operations. In addition to provisions in the Banking Act and the subsidiary legislation issued thereunder, banks have to comply with notices, circulars, guidelines, practice notes and codes issued by the MAS from time to time.

A licensed bank's operations may include the provision of capital markets services and financial advisory services. A bank licensed under the Banking Act is exempt from holding a capital markets services license under the SFA and from holding a financial adviser's license under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"). However, a licensed bank will nonetheless have to comply with the SFA and the FAA and the subsidiary legislation issued thereunder, as well as notices, circulars, guidelines, practice notes and codes issued by the MAS from time to time, as may be applicable to it in respect of these regulated activities.

The SFA Amendment Act was gazetted on 16 February 2017, but has not come into effect yet. The MAS has since issued several consultation papers on the draft subsidiary legislation, notices and guidelines that will operationalize the amendments to the SFA. This includes Consultation Paper I on Draft Regulations Pursuant to the Securities and Futures Act issued in April 2017, Consultation Paper II on Draft Regulations Pursuant to the Securities and Futures Act issued in May 2017, Consultation Paper I on Draft Notices and Guidelines Pursuant to the Securities and Futures Act issued in October 2017 and Consultation Paper on Draft Regulations for Mandatory Trading of Derivatives Contracts issued in February 2018.

The Monetary Authority of Singapore

The MAS is banker and financial agent to the Singapore Government and is the central bank of Singapore. Following its merger with the Board of Commissioners of Currency, Singapore on 1 October 2002, the MAS has also assumed the functions of currency issuance. The MAS's functions include: (a) to act as the central bank of Singapore, including the conduct of monetary policy, the issuance of currency, the oversight of payment systems and serving as banker to and financial agent of the Singapore Government; (b) to conduct integrated supervision of financial services and financial stability surveillance; (c) to manage the official foreign reserves of Singapore; and (d) to develop Singapore as an international financial centre.

The Regulatory Environment

Capital Adequacy Ratios

In December 2010, the Basel Committee published Basel III which presents the details of global regulatory standards on bank capital adequacy and liquidity, aimed at strengthening global capital standards and promoting a more resilient banking sector.

Basel III sets out higher capital standards for banks, and introduced two global liquidity standards: the “Liquidity Coverage Ratio”, intended to promote resilience to potential liquidity disruptions over a 30-day horizon and the “Net Stable Funding Ratio”, which requires a minimum amount of stable sources of funding at banks relative to the liquidity profiles of their assets and potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year horizon. In January 2011, the Basel Committee has also published requirements for all classes of capital instruments issued on or after 1 January 2013 to be loss absorbing at the point of non-viability. In July 2012, the Basel Committee further published the interim framework for capitalization of bank exposures to central counterparties.

MAS Notice 637 implements Basel III capital standards for SIBs and sets out the current requirements relating to the minimum capital adequacy ratios for SIBs and the methodology such banks shall use for calculating these ratios. MAS Notice 637 also sets out the expectations of the MAS in respect of the internal capital adequacy assessment process of SIBs under the supervisory review process and specifies the minimum disclosure requirements for SIBs in relation to its capital adequacy.

MAS Notice 637 was amended on 31 December 2013 to, among other things, incorporate disclosure and submission requirements for assessing global systemically important banks and requirements to ensure loss absorbency at the point of non-viability. MAS Notice 637 was further amended on 14 October 2014 to implement the leverage ratio disclosure requirements for SIBs, to enhance the clarity of the capital rules and to implement leverage ratio supervisory reporting requirements. The leverage ratio disclosure requirements for SIBs took effect from 1 January 2015, in line with the Basel Committee’s timeline for implementation of the leverage ratio disclosure requirements. The revisions to enhance the clarity of the capital rules similarly took effect from 1 January 2015, whereas the leverage ratio supervisory reporting requirements took effect from 31 December 2015. Further amendments were made to MAS Notice 637 on 29 December 2014. These amendments became effective on 1 July 2015, 31 December 2015 and 1 January 2017.

MAS Notice 637 was further amended on 17 October 2016 to implement requirements for SIBs that are consistent with the final standards issued by the Basel Committee in relation to (a) capital requirements for banks’ equity investments in funds, (b) the Basel Committee’s standardized approach for measuring counterparty credit risk exposures, (c) capital requirements for bank exposures to central

counterparties, and (d) revised Pillar 3 disclosure requirements. The amendments will enhance the risk capture of banks' equity exposures and counterparty credit risk exposures, while the revised Pillar 3 disclosure requirements will improve comparability and consistency of disclosures and enable market participants to better assess a bank's capital adequacy. Revisions have also been made to align the regulatory capital treatment for investments in unconsolidated major stake entities that are not financial institutions, and for private equity and venture capital investments, with the treatment of significant investments in commercial entities under the Basel capital framework. The amendments took effect from 1 January 2017. For amendments relating to the standardized approach for measuring counterparty credit risk exposures and capital requirements for bank exposures to central counterparties, transitional arrangements are provided to allow more time for implementation. For Pillar 3 disclosure requirements, the disclosures required under the revised framework will be for the reporting periods ending on or immediately after 1 January 2017 for the majority of disclosure templates and 1 January 2018 for the remaining templates.

On 22 September 2017, a revised MAS Notice 637 was issued. Among other things, the transitional arrangements for the adoption of the Internal Ratings Based Approach were amended to reflect certain changes in the calculation of the amount of capital floors, including removing "Tier 1 Capital Resources Requirement" from the basis in calculating the amount of capital floors. Revisions were also made to the reporting schedules in MAS Notice 637.

Separately, the MAS released a consultation paper on proposed amendments to MAS Notice 637 on 9 January 2017 to implement requirements that are consistent with the final standards issued by the Basel Committee in relation to revisions to the securitization framework and standards for interest rate risk in the banking book ("**IRRBB**"). The proposed framework for IRRBB sets out Pillar 2 requirements for the identification, measurement, monitoring and control of IRRBB, and disclosure requirements under prescribed interest rate shock scenarios. On 29 November 2017, the MAS released its response to this consultation paper and issued revised MAS Notice 637 to implement amendments to the securitization framework. These strengthen capital standards for securitization exposures, while providing a preferential capital treatment for simple, transparent and comparable securitizations. The MAS stated that it will be publishing its response to the feedback received on the IRRBB amendments at a later date.

On 25 July 2017, the MAS issued the Consultation Paper on the Proposed Amendments to Capital Requirements for Singapore-Incorporated Banks in MAS Notice 637 which proposes amendments to MAS Notice 637 to introduce the minimum leverage ratio requirement of 3%. Technical enhancements were also proposed on the capital treatment of equity investments and the definition of default under the Internal Ratings Based Approach for credit risk.

Pursuant to MAS Notice 637, the MAS has imposed capital adequacy ratio requirements on a SIB at two levels:

- (a) the bank standalone (“**Solo**”) level capital adequacy ratio requirements, which measure the capital adequacy of a SIB based on its standalone capital strength and risk profile; and
- (b) the consolidated (“**Group**”) level capital adequacy ratio requirements, which measure the capital adequacy of a SIB based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiaries and any other entities which are treated as part of the bank’s group of entities according to SFRS (collectively called “**banking group entities**”) taking into account any exclusions of certain bank group entities or any adjustments pursuant to securitization required under MAS Notice 637.

On 28 December 2017, MAS Notice 637 was revised to introduce a minimum leverage ratio requirement of 3% at the Solo and Group levels with effect from 1 January 2018.

Where a SIB issues covered bonds (as defined in MAS Notice 648 on Issuance of Covered Bonds by Banks Incorporated in Singapore (“**MAS Notice 648**”), the SIB must continue to hold capital against its exposures in respect of the assets included in a cover pool (as defined in MAS Notice 648) in accordance with MAS Notice 637. In the case where the SIB uses a special purpose entity to issue covered bonds or where the cover pool is held by a special purpose entity, the SIB is required to apply a “look through” approach for the purpose of computing its capital requirements under MAS Notice 637. Under the “look through” approach, the SIB and the special purpose entity will be treated as a single entity for the purposes of MAS Notice 637.

In addition to complying with the above capital adequacy ratio requirements in MAS Notice 637, a SIB should consider as part of its internal capital adequacy assessment process whether it has adequate capital at both the Solo and Group levels to cover its exposure to all risks.

Under MAS Notice 637, SIBs will be required to meet capital adequacy requirements that are higher than the Basel Committee’s requirements. MAS Notice 637 sets out a minimum CET1 CAR of 5.5% and a minimum Tier 1 CAR of 7.0% with effect from 1 January 2014. These increased progressively to 6.5% and 8.0% respectively, from 1 January 2015. The requirement for minimum total capital adequacy ratio is 10.0%.

The minimum capital requirements under MAS Notice 637, when fully implemented, will be two percentage points higher than the Basel III minima specified by the Basel Committee.

Under the requirements of the Basel Committee, banks are required to maintain minimum CET1 CAR, Tier 1 CAR and Total CAR of 3.5%, 4.5%, and 8.0%,

respectively, from 1 January 2013, and minimum CET1 CAR, Tier 1 CAR and Total CAR of 4.5%, 6.0% and 8.0%, respectively, from 1 January 2015. In addition, banks are required to hold a capital conservation buffer (“CCB”) of 2.5% above the minimum capital adequacy requirements to weather periods of high stress. This CCB is to be met with CET1 capital and will begin at 0.625% on 1 January 2016, increasing by an additional 0.625 percentage points in each subsequent year, to reach 2.5% on 1 January 2019.

Furthermore, banks may be subject to a countercyclical buffer ranging from 0% to 2.5% which will be implemented by each country when there has been a build-up of system-wide risk associated with excessive aggregate credit growth in their systems, with discretion on the implementation according to their national circumstances. The countercyclical buffer will be phased in from 1 January 2016 to 1 January 2019. It is not an ongoing requirement but only applied as and when specified by the relevant national banking supervisors. The countercyclical buffer is to be maintained in the form of CET1 capital.

In line with the Basel Committee’s requirements, the MAS has introduced in MAS Notice 637 a CCB of 2.5% above the minimum capital adequacy requirements. The CCB will be met with CET1 capital and begins at 0.625% on 1 January 2016, increasing by an additional 0.625% in each subsequent year, to reach its final level of 2.5% on 1 January 2019. Including the CCB, D-SIBs 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.

The table below summarizes the capital requirements under MAS Notice 637.

From January 1,	2013	2014	2015	2016	2017	2018	2019
Minimum CARs %							
CET1 (a)	4.5	5.5	6.5	6.5	6.5	6.5	6.5
CCB (b).....	—	—	—	0.625	1.25	1.875	2.5
CET1 including CCB (a) + (b).....	4.5	5.5	6.5	7.125	7.75	8.375	9.0
Tier 1	6.0	7.0	8.0	8.625	9.25	9.875	10.5
Total	10.0	10.0	10.0	10.625	11.25	11.875	12.5
Countercyclical Buffer	—	—	—	0.625	1.25	1.875	2.5

In addition to changes in minimum capital requirements, Basel III also mandates various adjustments in the calculation of capital resources. These adjustments have been phased in from 1 January 2013 and are for items such as goodwill, and investments exceeding certain thresholds.

Lastly, Basel III has revised the criteria for the eligibility of capital instruments.

On 20 December 2017, the MAS issued a Consultation Paper on Proposed Amendments to Widen the Scope of Eligible Collateral Relating to Commodities and Equity Securities in MAS Notice 637, to propose amendments to MAS Notice 637 to revise the list of eligible collateral that may be recognized for credit risk mitigation purposes.

Other Key Prudential Provisions

On 28 November 2014, the MAS issued MAS Notice 649. MAS Notice 649, which took effect on 1 January 2015 for a bank incorporated and headquartered in Singapore, introduces a new liquidity requirement framework to implement the Basel III LCR rules. Under MAS Notice 649, a bank incorporated and headquartered in Singapore shall maintain at all times, a Singapore Dollar LCR requirement of at least 100% and an all currency LCR requirement of at least 60% by 1 January 2015, with the all currency LCR requirement increasing by 10% each year to 100% by 2019.

On 14 December 2015, the MAS issued MAS Notice 651 on Liquidity Coverage Ratio Disclosure (“**MAS Notice 651**”), which applies to D-SIBs and took effect on 1 January 2016. On 28 December 2017, MAS Notice 651 was revised pursuant to a public consultation. Under the revised MAS Notice 651, a D-SIB that is incorporated in Singapore and headquartered in Singapore is required to disclose quantitative and qualitative information about its LCR at the banking group level on a quarterly basis. MAS Notice 651 also sets out additional requirements on quantitative and qualitative information that a D-SIB is required to disclose, such as the annual disclosure of information relating to its internal liquidity risk measurement and management framework.

On 10 July 2017, the MAS issued a new MAS Notice 652 on Net Stable Funding Ratio (“**MAS Notice 652**”) to implement the proposals set out in the consultation paper on Local Implementation of Basel III Liquidity Rules - Net Stable Funding Ratio (“**NSFR**”) and NSFR Disclosure Requirements which was released in November 2016. MAS Notice 652 applies to D-SIBs and took effect from 1 January 2018 (save for the Required Stable Funding add-on for derivative liabilities, as specified in the revised MAS Notice 652 issued on December 20, 2017). A D-SIB incorporated and headquartered in Singapore must maintain a consolidated all-currency Group NSFR of at least 100% on an ongoing basis from 1 January 2018.

The MAS consulted on the implementation of NSFR disclosure requirements as part of the public consultation on Proposed Amendments to Disclosure Requirements

under MAS Notice 637, 651 and 653 which was separately issued on 10 July 2017. The proposed amendments to the disclosure frequencies under MAS Notice 651 on Liquidity Coverage Ratio Disclosure and MAS Notice 653 on Net Stable Funding Ratio Disclosure have been included in accordance with BCBS' revised standards. On 28 December 2017, the MAS issued the revised MAS Notices 637 and 651 and a new MAS Notice 653 on Net Stable Funding Ratio Disclosure ("**MAS Notice 653**") to implement disclosure requirements for SIBs that are consistent with the Basel Committee's revised standards on Pillar 3 disclosures under the Basel III framework. The amendments to MAS Notice 637 took effect on 1 January 2018 (except where indicated otherwise). The revised MAS Notice 651 took effect from December 31, 2017 and MAS Notice 653 took effect from 1 January 2018.

MAS Notice 651 and MAS Notice 653 set out requirements applicable to D-SIBs for the disclosure of quantitative and qualitative information about LCR and NSFR respectively. Under the revised MAS Notice 651, a D-SIB that is incorporated and headquartered in Singapore is required to disclose quantitative and qualitative information about its LCR at the banking group level on a quarterly basis. Under MAS Notice 653, a D-SIB that is incorporated and headquartered in Singapore is required to disclose quantitative and qualitative information about its NSFR at the banking group level on a semi-annual basis.

Under Section 39 of the Banking Act and MAS Notice 758 on Minimum Cash Balance ("**MAS Notice 758**"), a bank is also required to maintain, during a maintenance period, in its current account and custody cash account an aggregate minimum cash balance with MAS of at least an average of 3% of its average Qualifying Liabilities (as defined in MAS Notice 613 on Minimum Liquid Assets ("**MAS Notice 613**")) computed during the relevant two-week period beginning on a Thursday and ending on a Wednesday. The MAS has stated that MAS Notice 758 will be amended to include the definition of Qualifying Liabilities under MAS Notice 649 instead of referencing MAS Notice 613, which will be cancelled with effect from 1 January 2016. However, to date, the MAS has neither amended the definition of Qualifying Liabilities under MAS Notice 758 nor cancelled MAS Notice 613.

Under Section 29 of the Banking Act, the MAS may, by notice to any bank in Singapore, impose such requirements as may be necessary or expedient for the purposes of limiting the exposure of the bank to:

- (a) a substantial shareholder group of the bank (if the bank is incorporated in Singapore);
- (b) the financial group of the bank ;
- (c) a director group of the bank; and
- (d) any other person or class of persons as may be prescribed.

For the purposes of this paragraph:

- (a) “**substantial shareholder group**” means a group of persons comprising any substantial shareholder (i.e., holding or having an interest in not less than 5% of the total voting rights) of the bank, every affiliate of such substantial shareholder, and where the bank is a subsidiary of a financial holding company or a parent bank (“**Holding Company**”), any substantial shareholder of the Holding Company and every affiliate of such substantial shareholder. Where a “**substantial shareholder**” is an individual, this term shall include a reference to a family member of the substantial shareholder;
- (b) “**financial group**” means a group of companies comprising (in the case of a SIB) every company in which the bank acquires or holds, directly or indirectly, a major stake (as defined below); and
- (c) “**director group**” means a group of persons comprising any director of the bank, every firm or limited liability partnership in which that director is a partner, manager, agent, guarantor or surety, every individual of whom and every company of which that director is a guarantor or surety and every company in which the director (i) is an executive officer; (ii) owns more than half of the total number of issued shares (whether legally or beneficially); (iii) controls more than half of the voting power; or (iv) controls the composition of the board of directors. In this paragraph, reference to “**director**” would include the director’s spouse, parent and child.

Regulation 24 of the Banking Regulations has prescribed that the MAS may also impose requirements for the purpose of limiting the exposure of the bank to: (a) any officer (other than a director) or employee of the bank or other person who receives remuneration from the bank other than for services rendered to the bank or any company that is treated as part of the bank’s group of companies according to SFRS; and (b) a group of persons, who are financially dependent on one another or where one person (the controlling person) controls every other person in that group, and where at least one of the persons is a counterparty to the bank. For these purposes, a person is controlled by the controlling person if the person is (i) a person in which the controlling person holds more than half of the total number of issued shares (whether legally or beneficially); (ii) a person in which the controlling person controls more than half of the voting power; (iii) a person in which the controlling person controls the composition of the board of directors; (iv) a subsidiary of a person described in (i) to (iii) above; or (v) a person the policies of which the controlling person is in a position to determine. The MAS issued MAS Notice 639 pursuant to Section 29 of the Banking Act. MAS Notice 639 sets out the limits on a bank in Singapore’s exposure to a single counterparty group, the types of exposures to be included in or excluded from these limits, the basis for computation of exposures, the approach for aggregating exposures to counterparties that pose a single risk to the bank, the

recognition of credit risk mitigation and aggregating of exposures at the bank group level.

MAS Notice 639 sets out requirements on “large exposures limit” and “substantial exposures limit” to a “single counterparty group” (as respectively defined in MAS Notice 639), on a Solo level and a Group level. Pursuant to MAS Notice 639, the MAS has set out that:

- (a) at Solo level, a SIB shall not permit (i) the aggregate of its exposures to a single counterparty group to exceed 25% or such other percentage of its eligible total capital as may be approved by the MAS; and (ii) the aggregate of exposures exceeding 10% of its eligible total capital to any single counterparty group to exceed 50% or such other percentage of its total exposures as may be approved by the MAS; and
- (b) at Group level, a SIB shall aggregate its exposures to a single counterparty group (other than the exposures to the financial group of the bank) with the exposures of its subsidiaries and the exposures of all other companies treated as part of the bank group to the same counterparty group and shall not permit (i) the aggregate of the exposures of the bank group to a single counterparty group to exceed 25% or such other percentage of the eligible total capital of the bank group as may be approved by the MAS; and (ii) the aggregate of the exposures of the bank group exceeding 10% of the eligible total capital of the bank group to any single counterparty group, to exceed 50% or such other percentage of the bank group’s total exposures as may be approved by the MAS.

The term “eligible total capital”, in relation to SIBs, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a Solo level and in relation to a bank group, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a Group level.

On 3 January 2018, the MAS released a Consultation Paper on Proposed Revisions to the Regulatory Framework for Large Exposures of Singapore-incorporated Banks. The proposed revisions take into account relevant aspects of the “Supervisory framework for measuring and controlling large exposures” published by the Basel Committee in April 2014, and will apply only to SIBs. The MAS intends to implement the proposals from 1 January 2019. Among other things, the MAS has proposed to tighten the capital base of the large exposures limit from eligible total capital to Tier 1 capital. In relation to the scope of the Group level requirements, the MAS has proposed that a bank aggregate its exposures to a single counterparty group across all entities treated as part of its banking group, with the exclusion of exposures arising from an insurance subsidiary of the SIB. The public consultation closed on 12 February 2018.

Exposures would have to be calculated based on the maximum loss that a bank may incur as a result of the failure of a specified counterparty to meet any of its obligations. See “Business – Assets – Credit Facilities and Exposure Limits”.

The MAS has further prescribed for the purposes of Section 35 of the Banking Act that the property sector exposure of a bank in Singapore must not exceed 35% of the total eligible assets of that bank.

On 29 December 2017, the MAS issued the revised MAS Notice 612 on Credit Files, Grading and Provisioning (which took effect on 1 January 2018) in relation to the changes in the recognition and measurement of allowance for credit losses introduced in Singapore Financial Reporting Standard (“**FRS**”) 109. The regulatory requirement on minimum impairment provisions for credit-impaired exposures has been removed, and banks are to measure and recognise loss allowances for expected credit losses in accordance with the requirements of FRS 109 (“**accounting loss allowance**”). In addition, SIBs which are designated by the MAS as D-SIBs are to maintain a minimum level of loss allowances for their non-credit-impaired exposures, of 1% of the exposures net of collaterals (“**minimum regulatory loss allowances**”). Where the accounting loss allowance falls below the minimum regulatory loss allowance, a D-SIB is required to recognise the additional loss allowance by establishing a non-distributable regulatory loss allowance reserve through appropriation of retained earnings. A revised MAS Notice 643 on Transactions with Related Parties (dated 21 November 2016) (“**MAS Notice 643**”) was issued by the MAS pursuant to Section 55(1) of the Banking Act. MAS Notice 643 sets out requirements relating to transactions of banks in Singapore with related parties and responsibilities of banks in relation to transactions of entities in the bank’s group with related parties, which seek to minimize the risk of abuses arising from conflicts of interest. MAS Notice 643 was initially scheduled to take effect from 1 July 2014, but on 30 June 2014, the MAS amended MAS Notice 643 such that its effective date will be separately specified by the MAS by notice in writing. The MAS issued two consultation papers, on 5 December 2013 and on 25 January 2016, with proposals to amend and clarify the scope of MAS Notice 643. The MAS has indicated that MAS Notice 643 will take effect from 21 November 2018.

In addition, the Banking (Amendment) Act 2016 (the “**Banking Amendment Act**”) was gazetted on 23 May 2017, although it is not yet in force. The Banking Amendment Act will introduce powers enabling the MAS to prohibit, restrict or direct a bank to terminate any transaction that the bank enters into with its related parties if it is deemed to be detrimental to depositors’ interests.

A bank in Singapore is prohibited from carrying on or entering into any partnership, joint venture or other arrangement with any person to carry on any business except:

- (a) banking business;

- (b) business which is regulated or authorized by the MAS or, if carried on in Singapore, would be regulated or authorized by the MAS under any written law;
- (c) business which is incidental to (a) or (b);
- (d) business or a class of business prescribed by the MAS; or
- (e) any other business approved by the MAS.

A bank in Singapore, either directly or through any subsidiary of the bank or any other company in the bank group, can hold any beneficial interest in the share capital of a company (and such other investment, interest or right as may be prescribed by the MAS) (“**equity investment**”), whether involved in financial business or not, so long as such equity investment does not exceed in the aggregate 2% of the capital funds of the bank or such other percentage as the MAS may prescribe. Such a restriction on a bank’s equity investment does not apply to any interest held by way of security in the ordinary course of the bank’s business or to any shareholding or interest acquired or held by a bank in the course of satisfaction of debts due to the bank, where such interest is disposed of at the earliest suitable opportunity. In addition, any major stake approved by the MAS under Section 32 of the Banking Act and any equity investment in a single company acquired or held by a bank when acting as a stabilizing manager in relation to an offer of securities issued by the company will not be subject to the restrictions on equity investment described above.

A bank in Singapore cannot hold or acquire, directly or indirectly, a major stake in any company without first obtaining the prior approval of the MAS. A “**major stake**” means: (i) any beneficial interest exceeding 10% of the total number of issued shares in a company; (ii) control over more than 10% of the voting power in a company; or (iii) any interest in a company, where directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the bank’s directions, instructions or wishes, or where the bank is in a position to determine the policy of the company. The Banking Amendment Act will amend the major stake provisions to clarify that the requirement applies to major stakes in any entity, including unincorporated bodies. On 7 February 2017, the MAS also issued a Consultation Paper on the Amendments to Banking Regulations and Banking (Corporate Governance) Regulations which sets out the proposed amendments to the Banking Regulations and Banking (Corporate Governance) Regulations, which are necessary to support the amendments in the Banking Amendment Act.

No bank in Singapore shall hold or acquire, directly or through a subsidiary of the bank or any other company in the bank group, interests in or rights over immovable property, wherever situated, the value of which exceeds in the aggregate 20% of the capital funds of the bank or such other percentage as the MAS may prescribe. A bank is not allowed to engage in property development or management except when it is

carrying on property management services in relation to investment properties that are owned by the bank or any company in which the bank has acquired or holds a major stake (in this paragraph, “**financial group**”), properties that have been foreclosed by the financial group in satisfaction of debts owed to it and properties occupied and used in the business of the financial group.

On 29 September 2017, the MAS released a Consultation Paper on the Review of Anti-Commingling Framework for Banks which proposes to refine the anti-commingling framework for banks in two key aspects, including streamlining the conditions and requirements under regulation 23G of the Banking Regulations so as to make it easier for banks to conduct or invest in permissible non-financial businesses that are related or complementary to their core financial businesses, and allowing banks to broaden their ability to provide a fuller suite of services to their customers.

With effect from 31 December 2013, SIBs are permitted to issue covered bonds subject to conditions under MAS Notice 648. The aggregate value of assets in the cover pools for all covered bonds issued by the bank and special purpose vehicles on behalf of the bank must not exceed 4% of the value of the total assets of the bank at all times. The total assets of the bank include the assets of the overseas branches of the bank incorporated in Singapore but not its subsidiaries, whether in Singapore or overseas. MAS Notice 648 was amended on 4 June 2015 to refine the regulatory framework governing covered bond issuance and grant further operational flexibility to banks seeking to issue covered bonds in Singapore.

OCBC Bank was designated as a D-SIB on 30 April 2015. The framework for D-SIBs is set out in the MAS’s information paper on the MAS’s Framework for Impact and Risk Assessment of Financial Institutions (revised in September 2015) (the “**D-SIB Information Paper**”), which builds on the proposals set out in the MAS Consultation Paper on the Proposed Framework for Systemically Important Banks in Singapore dated 25 June 2014. The MAS has not published any further detailed requirements applicable to D-SIBs.

Broadly, D-SIBs will be subject to more intensive supervision by the MAS than banks which are not so designated, and in particular, certain higher loss absorbency (“**HLA**”) requirements and LCR requirements. However, designation as a D-SIB should not affect OCBC Bank’s HLA and LCR requirements. The proposed HLA and LCR requirements in respect of D-SIBs (which include the requirement to maintain minimum CET1 CAR requirements that are two percentage points higher than those already established by the Basel Committee) are already incorporated in existing capital and liquidity requirements applicable to Singapore incorporated banks under MAS Notice 637 and MAS Notice 649. Accordingly, OCBC Bank is already subject to these requirements.

Corporate Governance Regulations and Guidelines

The Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore (dated 3 April 2013) (the “**Guidelines**”) comprises the Code of Corporate Governance 2012 for companies listed on the SGX-ST and supplementary principles and guidelines from the MAS. The Guidelines and the Banking (Corporate Governance) Regulations 2005, define what is meant by an independent director and set out the requirements for the composition of the board of directors and board committees, such as the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee. The Guidelines also set out, *inter alia*, the principle that there should be a clear division of responsibilities between the leadership of the board of directors of a bank and the executive responsibilities of a bank, as well as the principle that there should be a strong and independent element on the board of directors of a bank, which is able to exercise objective judgment on corporate affairs independently, in particular, from the management of the bank and 10% shareholders of the bank (as defined in the Guidelines). The Guidelines also encourage the separation of the roles of Chairman and CEO and outline how this is to be applied. The Guidelines further set out the principle that the board of directors of a bank should ensure that the bank’s related party transactions are undertaken on an arm’s length basis.

Other Requirements

The MAS issues licenses under the Banking Act to banks to transact banking business in Singapore. Such licenses may be revoked if the MAS is satisfied, among other things, that the bank: (a) is carrying on its business in a manner likely to be detrimental to the interests of the depositors of the bank or has insufficient assets to cover its liabilities to its depositors or the public; (b) is contravening the provisions of the Banking Act; or (c) has been convicted of any offence under the Banking Act or any of its directors or officers holding a managerial or executive position has been convicted of any offence under the Banking Act.

In the event of the winding up of a bank, the following liabilities in Singapore of the bank shall, amongst themselves, rank in the following order of priority: (i) firstly, any premium contributions due and payable by the bank under the Deposit Insurance and Policy Owners’ Protection Schemes Act, Chapter 77B of Singapore (the “**Deposit Insurance and Policy Owners’ Protection Schemes Act**”); (ii) secondly, liabilities incurred by the bank in respect of insured deposits, up to the amount of compensation paid or payable out of the Deposit Insurance Fund by the Singapore Deposit Insurance Corporation Limited under the Deposit Insurance and Policy Owners’ Protection Schemes Act in respect of such insured deposits; (iii) thirdly, deposit liabilities incurred by the bank with non-bank customers, other than those specified in paragraph (ii) above and paragraph (iv) below; and (iv) fourthly, deposit liabilities

incurred by the bank with non-bank customers when operating an Asian Currency Unit approved under the Banking Act. As between liabilities of the same class referred to in each of paragraphs (i) to (iv) above, such liabilities shall rank equally between themselves. The liabilities specified above shall have priority over all unsecured liabilities of the bank other than the preferential debts specified in Section 328(1) of the Companies Act.

On 4 August 2017, the MAS issued the Consultation Paper on Proposed Enhancements to the Deposit Insurance Scheme and Legislative Amendments to the Deposit Insurance and Policy Owners' Protection Schemes Act and Regulations which sets out recommendations to enhance various features of the DI Scheme. Among other things, the MAS proposes to amend the Deposit Insurance and Policy Owners' Protection Schemes Act to effect changes previously proposed in earlier consultations, issued on 18 April 2017 and 11 September 2014, such as the definition of "personal" insurance policy and the introduction of caps on compensation payout for certain property damage claims.

The Banking Amendment Act will require banks to inform the MAS of any development that materially affects the bank adversely, and in the case of Singapore-incorporated banks, any development that materially affects the bank or its related entities adversely. The Banking Amendment Act will formalize the MAS's expectation for banks to institute risk management systems and controls that are commensurate with their business profiles and operations.

Currently, banks in Singapore have to maintain separate accounting units for their domestic banking unit ("DBU") and their Asian currency unit ("ACU"). The MAS announced in June 2015 that it will remove the DBU-ACU divide. On 31 August 2015, the MAS issued a consultation paper entitled "Removing the DBU-ACU Divide – Implementation Issues", setting out the proposed consequential amendments to regulatory requirements following the removal of the DBU-ACU divide. In particular, the MAS proposed to make consequential amendments to Section 62 of the Banking Act to remove references to the ACU and to provide instead that Singapore dollar deposit liabilities incurred by the bank with non-bank customers would rank above foreign currency denominated deposit liabilities incurred by the bank with non-bank customers (but behind premium contributions under the Deposit Insurance and Policy Owners' Protection Schemes Act and liabilities in respect of insured deposits). On 10 February 2017, the MAS issued the Response to Feedback Received on Removing the DBU-ACU Divide – Implementation Issues. Among other things, the MAS noted that the removal of the DBU-ACU divide would require significant amendments to changes in banks' regulatory reporting systems. In this regard, the MAS issued a second consultation paper on the proposed amendments to MAS Notice to Banks No. 610 "Submission of Statistics and Returns" on 10 February 2017, in which the MAS proposed a 30-month implementation timeline. The MAS will extend the same

timeline to banks for the implementation of changes relating to the removal of the DBU-ACU divide.

Resolution Powers

Under the MAS Act and the Banking Act, the MAS has resolution powers in respect of Singapore licensed banks. Broadly speaking, the MAS has powers to (amongst other things) assume control of a bank, impose moratoriums and/or order transfers of business.

The MAS has published a series of consultation papers on proposed enhancements to the resolution regime for financial institutions in Singapore. These consultation papers contain proposals to enhance the MAS's resolution powers in areas such as recovery and resolution planning, temporary stays on termination rights, statutory bail-in powers, cross-border recognition of resolution actions, creditor compensation framework and resolution funding arrangements. The Monetary Authority of Singapore (Amendment) Act 2017 was gazetted on 1 August 2017 and incorporates the proposed legislative amendments to enhance the resolution regime, but is only partially in force. The draft regulations, notice and guidelines have also yet to be finalized. With regard to the statutory bail-in powers, the MAS has proposed:

- (a) to apply the statutory bail-in powers to Singapore-incorporated banks and bank holding companies;
- (b) that the statutory bail-in regime be applied to unsecured subordinated liabilities, issued or contracted after the effective date of the relevant legislative amendments implementing the statutory bail-in regime; and
- (c) that statutory powers be introduced for the MAS to bail-in contingent convertible instruments and contractual bail-in instruments, issued or contracted after the effective date of the relevant legislative amendments implementing the statutory regime, whose terms had not been triggered prior to entry into resolution.

Examinations and Reporting Arrangements for Banks

The MAS conducts on-site examinations of banks. Banks are also subject to annual audit by an external auditor approved by the MAS, who, aside from the annual balance sheet and profit and loss account must report to the MAS immediately if in the course of the performance of his duties as an auditor of the bank, he is satisfied that: (a) there has been a serious breach or non-observance of the provisions of the Banking Act or that otherwise a criminal offence involving fraud or dishonesty has been committed; (b) losses have been incurred which reduce the capital funds of the bank by 50%; (c) serious irregularities have occurred, including irregularities that jeopardize the security of the creditors; or (d) he is unable to confirm that the claims of creditors are still covered by the assets.

SIBs shall not, except with the prior written approval of the MAS, appoint the same audit firm for more than five consecutive financial years. The MAS issued a Consultation Paper on Review of Mandatory Audit Firm Rotation for Local Banks on 30 September 2016 and released the response to feedback received on 22 August 2017. The MAS has indicated that it will discontinue mandatory audit firm rotation. The revised approach underscores the primary responsibility of the audit committees of Singapore-incorporated banks in ensuring the independence, objectivity and high quality of external audit. At the same time, the MAS has stated that it will introduce a requirement for re-tendering of audit engagements every ten years as a compensating safeguard to mitigate risks arising from potential erosion of audit independence. Separately, the Banking Amendment Act will empower the MAS to direct banks to remove their external auditors if they have not discharged their statutory duties satisfactorily. All banks in Singapore are required to submit periodic statistical returns, financial reports and auditors' reports to the MAS, including returns covering minimum cash balances and liquidity returns, statements of assets and liabilities and total foreign exchange business transacted.

The MAS may also require ad hoc reports to be submitted.

Directors and Executive Officers of Banks

A bank incorporated in Singapore must not permit a person who is subject to certain circumstances set out in Section 54(1) of the Banking Act (for example where the person is an undischarged bankrupt, whether in Singapore or elsewhere) to act as its executive officer or director without the prior written consent of the MAS. The MAS may also direct the removal of a director or executive officer of a bank incorporated in Singapore on the basis of three grounds set out in section 54(2) of the Banking Act (one of which is where the executive officer or director willfully contravened or willfully caused the bank to contravene any provision of the Banking Act) where MAS thinks that such removal is necessary in the public interest or for the protection of the depositors of the bank.

The Banking Amendment Act will amend the three existing grounds in Section 54(2) for removal of directors and executive officers with ceasing to be fit and proper as a single criterion. The grounds for removal of directors and executive officers will be aligned with the criteria for approving their appointment. Banks will also be required to notify the MAS of any development that could affect the fitness and propriety of their key appointment holders.

Financial Benchmarks

The SFA Amendment Act was gazetted on 16 February 2017, but has not yet come into effect. Among other things, the SFA Amendment Act introduces a legislative framework for the regulation of financial benchmarks through a new Part VIAA in the SFA. The SFA Amendment Act (a) introduces specific criminal and civil sanctions

under the SFA for manipulation of any financial benchmark (including SIBOR, SOR and Foreign Exchange spot benchmarks), and (b) subjects the setting of key financial benchmarks to regulatory oversight. The MAS will regulate administrators and submitters of key financial benchmarks and such persons will be subject to regulatory requirements. On 28 April 2017, the MAS issued a Consultation Paper I on Draft Regulations Pursuant to the Securities and Futures Act together with a draft Securities and Futures (Financial Benchmarks) Regulations 2017. The proposed regulations set out admission, ongoing and other requirements which administrators of and submitters to designated benchmarks would be subject to. However, the MAS has not released its response to feedback received, and the draft regulations may be subject to further changes.

Framework for Systemically Important Banks in Singapore

OCBC was designated as a D-SIB in Singapore on 30 April 2015. Broadly, D-SIBs will be subject to more intensive supervision by the MAS than banks which are not so designated. In particular, there is no assurance that the MAS will not impose increased capital adequacy or liquidity requirements on D-SIBs, which may have an adverse effect on OCBC's return on capital and profitability.

Supervision by Other Agencies

Our overseas operations are also supervised by the regulatory agencies in their respective jurisdictions.

Apart from being supervised by the MAS, our stockbroking and futures trading arms are also supervised by the Singapore Exchange Limited.

Singapore Insurance Industry

The MAS also regulates and supervises licensed insurers in Singapore. The insurance regulatory framework in Singapore consists mainly of the Insurance Act, Chapter 142 of Singapore (the "**Insurance Act of Singapore**") and its related regulations, as well as the relevant notices, guidelines, circulars and practice notes issued by the MAS. With effect from 18 April 2013, the Insurance Act of Singapore was amended by the Insurance (Amendment) Act 2013 (No. 11 of 2013) to, *inter alia*, enhance the powers of the MAS under the Insurance Act of Singapore to meet its supervisory objectives, to improve the clarity or consistency of existing policy, to align the Insurance Act of Singapore with other MAS-administered statutes and to repeal certain provisions which have become obsolete. The MAS has issued several consultation papers with proposals to make amendments to certain aspects of the insurance regulatory framework (including to improve the comprehensiveness of the risk coverage and risk sensitivity of the risk-based capital framework for insurers, embark on complete review of the insurance returns to enhance information requirements for its supervisory needs and provide further clarification for completion of returns), which,

if implemented, may affect the contents of this section. This section does not address the proposals outlined in the consultation papers issued by the MAS. This section sets out certain key regulations applicable to licensed insurers in the conduct of their insurance business, and does not address the regulatory framework applicable to insurance intermediaries (whether or not agents or employees of licensed insurers) whether in respect of life or non-life policies.

The holding company of a Singapore licensed insurer could also be subject to regulation if required to be approved as a financial holding company under Section 28 of the MAS Act. The requirements pertaining to financial holding companies will be enhanced when the Financial Holding Companies Act 2013 (“**FHC Act**”) becomes effective. The FHC Act was gazetted in Parliament on 8 April 2014. The FHC Act was introduced to establish the regulatory framework for designated Singapore-incorporated financial holding companies with one or more Singapore incorporated bank or insurance subsidiaries. The salient provisions in the FHC Act relate to:

- (a) a requirement to provide the MAS with information requested by the MAS for supervision purposes;
- (b) restrictions on the use of the name, logo and trademark of a designated financial holding company;
- (c) restrictions on the activities of a designated financial holding company;
- (d) restrictions on the shareholding and control of a designated financial holding company;
- (e) limits on exposures and investments;
- (f) minimum asset requirements;
- (g) minimum capital and capital adequacy requirements;
- (h) leverage ratio requirements;
- (i) supervision and reporting requirements; and
- (j) approval requirements for the appointment of directors and chief executives.

Some of these requirements remain to be specified in subsidiary legislation or notices to be issued by the MAS, for instance, minimum liquid assets, capital adequacy and leverage ratio.

The FHC Act provides for transition periods for designated financial holding companies to comply with various provisions in the specific provisions and a general power for the Minister for Finance to prescribe by regulations, for a period of two years from the commencement of operation of any provision, transitional provisions consequent on the enactment of that provision.

Great Eastern Holdings is approved as a Financial Holding Company under Section 28 of the MAS Act and is subject to requirements imposed by the MAS. The FHC Act will be applicable to Great Eastern Holdings when it comes into operation. Great Eastern Holdings' subsidiary, The Great Eastern Life Assurance Company Limited is incorporated with limited liability in Singapore and is a direct insurer licensed to carry on life insurance business under the Insurance Act of Singapore. Great Eastern Holdings' subsidiary Great Eastern General Insurance Limited (“GEG”) is incorporated with limited liability in Singapore and is a licensed direct insurer under the Insurance Act of Singapore and holds a composite license to carry on both life insurance business and general insurance business. GEG currently only sells general insurance.

Great Eastern Life is included by the Central Provident Fund (“CPF”) Board as an insurer under the CPF Investment Scheme, where CPF monies may, subject to certain conditions, be used by CPF members to purchase investment-linked insurance policies issued by Great Eastern Life if such policies are also included under the CPF Investment Scheme.

Exempt Financial Adviser Status of Great Eastern Life

As a company licensed under the Insurance Act of Singapore, Great Eastern Life is an exempt financial adviser under the FAA in relation to (a) advising others (other than advising on corporate finance within the meaning of the SFA) either directly or through publications or writings, and whether in electronic, print or other form, concerning life policies, (b) advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning life policies and (c) arranging of any contract of insurance in respect of life policies. As an exempt financial adviser, Great Eastern Life is subject to certain conduct of business and other requirements applicable under the FAA and its related regulations, notices, guidelines, practice notes, circulars and information papers.

Supervisory Powers of the Monetary Authority of Singapore

Under the Insurance Act of Singapore, the MAS has, among other things, the power to impose conditions on a licensed insurer and may add to, vary or revoke any existing conditions of the license. In addition, the MAS may issue such directions as it may consider necessary for carrying into effect the objects of the Insurance Act of Singapore and may at any time vary, rescind or revoke any such directions. The MAS may also issue such directions to an insurer as it may consider necessary or assume control of and manage such of the business of the insurer as it may determine, or appoint one or more persons as statutory manager to do so, where, among other things, it is satisfied that the affairs of the insurer are being conducted in a manner likely to be detrimental to the public interest or the interests of the policy owners or prejudicial to the interests of the insurer. The MAS is also empowered to cancel the license of an insurer on certain grounds.

Capital Requirements

A licensed insurer is required at all times to maintain a minimum level of paid-up ordinary share capital. A licensed insurer incorporated in Singapore must obtain the prior written approval of the MAS to reduce its paid-up ordinary share capital or redeem any preference share. Further, a licensed insurer which is incorporated in Singapore is required to notify the MAS of its intention to issue any preference share or certain instruments prior to the date of issue of the preference share or instrument. A licensed insurer is also required always to satisfy its capital adequacy requirement, which is that its financial resources must not be less than the greater of:

- (a) the sum of:
 - (i) the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act of Singapore; and
 - (ii) where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintained under the Insurance Act of Singapore (including assets and liabilities of any of the insurer's branches located outside Singapore); or
- (b) a minimum amount of S\$5 million.

A licensed insurer is required to immediately notify the MAS when it becomes aware that it has failed, or is likely to fail, to comply with the capital adequacy requirement described above, or that a financial resource warning event has occurred or is likely to occur. A “**financial resources warning event**” means an event which results in the financial resources of the insurer being less than the higher of (i) 120% of the amount calculated in accordance with paragraph (a) above or (ii) the minimum amount in paragraph (b) above. Each of the “**financial resources**” of an insurer and the “**total risk requirement**” is determined, and assets and liabilities are valued, in accordance with the requirements of the Insurance (Valuation and Capital) Regulations 2004, the MAS Guidelines on Valuation of Policy Liabilities of General Business and MAS Notice 319 on Valuation of Policy Liabilities of Life Business and the MAS Guidelines on Use of Internal Models for Liability and Capital Requirements for Life Insurance Products Containing Investment Guarantees with Non-linear Payouts, where applicable. The MAS has the authority to direct that the insurer satisfy capital adequacy requirements other than those that the insurer is required to maintain under the relevant section of the Insurance Act of Singapore if the MAS considers it appropriate. The MAS also has the power to impose directions on the insurer, and direct the insurer to carry on its business in such manner and on such conditions as imposed by the MAS in the event that it is notified of any failure or likely failure, or

is aware of any inability, of the insurer to comply with the capital adequacy requirement described above.

The MAS issued the RBC 2 Review on 22 June 2012 followed by a second and third consultation paper on 26 March 2014 and 15 July 2016 respectively. First introduced in 2004, the risk-based capital framework:

- (a) adopts a risk-focused approach to assessing capital adequacy and seeks to reflect the relevant risks that insurers face;
- (b) prescribes minimum capital which serves as a buffer to absorb losses; and
- (c) provides clearer information on the financial strength of insurers and facilitates early and effective intervention by MAS, where necessary.

The MAS has stated that the RBC 2 Review is not intended to result in a significant overhaul to the existing framework. Instead, it seeks to improve the comprehensiveness of the risk coverage and the risk sensitivity of the framework as well as define more specifically the MAS's supervisory approach with respect to the solvency intervention levels. The MAS has also stated that insurers in Singapore are well-capitalized and the objective of RBC 2 is therefore not to raise the industry's overall regulatory capital requirements, but to ensure that the framework for assessing capital adequacy is more aligned to an insurer's business activities and risk profiles. The MAS will work with the industry on the implementation date later after the design is more firmed up. The MAS has noted from previous consultations that the industry has indicated that it would need at least two years after the finalization of the framework to implement RBC 2 and has stated that the industry will be given sufficient time to prepare for the implementation of RBC 2.

The MAS also has the general power to impose asset maintenance requirements.

Policy Owners' Protection Scheme

The Singapore Deposit Insurance Corporation Limited ("**SDIC**") administers the Policy Owners' Protection Scheme (the "**PPF Scheme**") in accordance with the Deposit Insurance and Policy Owners' Protection Schemes Act for the purposes of compensating (in part or whole) or otherwise assisting or protecting insured policy owners and beneficiaries in respect of the insured policies issued by PPF Scheme members and for securing the continuity of insurance for insured policy owners as far as reasonably practicable. PPF Scheme members essentially comprise direct insurers licensed to carry on life business under the Insurance Act of Singapore (other than captive insurers) and direct insurers licensed to carry on general business under the Insurance Act of Singapore (other than captive insurers or specialist insurers), in each case, which are not exempted from the requirement to be a PPF Scheme member.

There are two funds established under the PPF Scheme, namely the Policy Owners' Protection Life Fund (the "**PPF Life Fund**") to cover insured policies comprised in

insurance funds established and maintained under Section 17 of the Insurance Act of Singapore by direct insurers licensed to carry on life business and the Policy Owners' Protection General Fund (the "**PPF General Fund**") to cover insured policies comprised in insurance funds established and maintained under Section 17 of the Insurance Act of Singapore by direct insurers licensed to carry on general business.

As PPF Scheme members, each of Great Eastern Life and GEG is required to pay a levy for any premium year or part thereof in respect of the insured policies issued by it. The levy rates for the purposes of computing the levies payable by PPF Scheme members are assessed and determined by the MAS. Where the MAS is of the opinion that there are insufficient moneys in the PPF Life Fund or the PPF General Fund, as the case may be, to pay any compensation due to insured policy owners or beneficiaries, or to fund any transfer or run-off of the insurance business of any failed PPF Scheme member under the Deposit Insurance and Policy Owners' Protection Schemes Act, the MAS may, with the concurrence of SDIC, require PPF Scheme members to pay additional levies for any premium year or part thereof and determine the levy rate(s) for the purposes of computing the additional levies.

Asset Management

MAS Notice 125 on Investments of Insurers sets out the basic principles that govern the oversight of investment activities of an insurer and the investments of its insurance funds, and in the case of an insurer that is incorporated or established in Singapore, the investments of both its insurance funds and its shareholders' funds. It contains requirements relating to, among other things, the oversight by the board of directors and senior management, the various reports to be made by the investment committee to the board of directors at the prescribed frequency, duties of the investment committee, asset-liability management and permitted derivatives activities.

MAS Notice 105 on Appointment of Custodian and Fund Manager, requires a licensed insurer to file with the MAS, a list of all the assets of all insurance funds established and maintained under the Insurance Act of Singapore by the insurer where documents evidencing titles are kept by custodians for the insurer as at the end of that accounting period or a nil return where the licensed insurer as at the end of the accounting period does not have such insurance fund assets or has not as yet established and maintained insurance funds for its policies, to, among other things, exercise due care and diligence when appointing overseas custodians, and to notify the MAS prior to the appointment of a fund manager or revocation of such appointment. The MAS also released a consultation paper in November 2016 on the Review of MAS Notice 105 on Insurers' Appointment of Custodians and Fund Managers. The consultation paper sets out proposals to enhance the requirements for safeguarding assets of insurance funds when insurers appoint custodians and sub-custodians to hold such assets. The revised scope of MAS Notice 105 will be

broadened to cover all custodians and sub-custodians, local and overseas. The MAS also intends to refine and streamline the information collected on custodian arrangements.

MAS Notice 320 on Management of Participating Life Insurance Business (“**MAS Notice 320**”) requires an insurer which has established or will be establishing a participating fund to put in place an internal governance policy on the management of its participating life insurance business. The insurer must, among other things, ensure that the participating fund is managed in accordance with the rules and guiding principles set out in the internal governance policy.

No licensed insurer that is established or incorporated in Singapore shall acquire or hold, directly or indirectly, a major stake in any corporation without the prior approval of the MAS and any approval granted by the MAS may be subject to such conditions as determined by the MAS, including any condition relating to the operations or activities of the corporation.

Separate Accounts Requirement

Every licensed insurer is required to establish and maintain a separate insurance fund (a) for each class of insurance business carried on by the insurer that (i) relates to Singapore policies and (ii) relates to offshore policies; (b) in the case of a direct insurer licensed to carry on life insurance business, for its investment-linked policies and for its non-investment-linked policies; and (c) if, in the case of a direct insurer licensed to carry on life insurance business, no part of the surplus of assets over liabilities from the insurer’s non-participating policies is allocated by the insurer by way of bonus to its participating policies, in respect of its non-investment-linked policies (i) for its participating policies and (ii) for its non-participating policies.

MAS Notice 101 on Maintenance of Insurance Funds and MAS Guidelines on Implementation of Insurance Fund Concept provide further guidance and requirements on, among other things, the establishment and maintenance of insurance funds and the segregation of the assets of licensed insurers in Singapore as required under the Insurance Act of Singapore. The Insurance Act of Singapore also prescribes requirements relating to, among other things, withdrawals from the insurance funds, and insurance funds consisting wholly or partly of participating policies.

The solvency requirement in respect of an insurance fund must at all times be such that the “financial resources” of the fund are not less than the “total risk requirement” of the fund. A licensed insurer is required to immediately notify the MAS when it becomes aware that it has failed, or is likely to fail, to comply with the fund solvency requirement. Each of the “financial resources” of an insurance fund and its “total risk requirement” is determined, and assets and liabilities are valued, in accordance with the requirements of the Insurance (Valuation and Capital) Regulations 2004, the MAS Guidelines on Valuation of Policy Liabilities of General Business, the MAS Notice

319 on Valuation of Policy Liabilities of Life Business and the MAS Guidelines on Use of Internal Models for Liability and Capital Requirements for Life Insurance Products Containing Investment Guarantees with Non-linear Payouts, where applicable. The MAS has the authority to direct that the insurer satisfy fund solvency requirements other than those that the insurer is required to maintain under the relevant Section of the Insurance Act of Singapore if the MAS considers it appropriate. The MAS also has the power to impose directions on the insurer, and direct the insurer to carry on its business in such manner and on such conditions as specified by the MAS in the event that it is notified of any failure or likely failure, or is aware of any inability, of the insurer to comply with the fund solvency requirement described above.

All receipts of the insurer properly attributable to the business to which an insurance fund relates (including the income of the fund) must be paid into that fund, and the assets in the insurance fund shall apply only to meet such part of the insurer's liabilities and expenses as is properly so attributable.

Reinsurance

MAS Notice 114 on Reinsurance Management sets forth the mandatory requirement for direct insurers to submit annual returns pertaining to their outward reinsurance arrangements and exposures to their top 10 reinsurance counterparties as well as the guiding principles relating to the oversight of the reinsurance management process of insurers (which includes the principle that the board of directors and senior management of an insurer should develop, implement and maintain a reinsurance management strategy appropriate to the operations of the insurer to ensure that the insurer has sufficient resources to meet obligations as they fall due), the classification of a contract as a reinsurance contract, and the assessment of significant insurance risk transfer. In addition, the MAS has issued MAS Guidelines on Risk Management Practices for Insurance Business – Core Activities, which provide further guidance on risk management practices in general, relating to, among other things, reinsurance management.

Regulation of Products

A direct insurer licensed to carry on life business may only issue a life policy or a long-term accident and health policy if the premium chargeable under the policy is in accordance with rates fixed with the approval of an appointed actuary or, where no rates have been so fixed, is a premium approved by the actuary.

An insurer is required under MAS Notice 302 on Product Development and Pricing (“**MAS Notice 302**”) to exercise prudent management oversight on the pricing and development of insurance products and investment-linked policy sub-funds, and to, before offering certain new products, either obtain the approval of, or notify, the MAS, as the case may be. Such request for approval or notification shall include

information on, among other things, the tables of premium rates. MAS Notice 302 also sets forth prohibited payout features and requirements relating to disclosure to policyholders and persons entitled to payment of the policy moneys under a policy who have exercised a certain settlement option. MAS Notice 302 has been amended to take into account the approval requirements which apply to the Direct Purchase Insurance Products (“**DPIs**”). In relation to DPIs, the MAS issued MAS Notice 321 on Direct Purchase Insurance Products (“**MAS Notice 321**”) on 13 May 2016 which imposes specific obligations on an insurer in respect of DPIs and also requires insurers to obtain written approval from the MAS before offering any new or re-priced DPI for sale to the public.

In addition, the MAS has issued the MAS Guidelines on Risk Management Practices for Insurance Business – Core Activities, which provide further guidance on risk management practices in general, relating to, among other things, product development and pricing.

There are also mandatory requirements and non-mandatory standards which would apply under MAS Notice 307 on Investment-Linked Policies to investment-linked policies relating to, among other things, disclosure, investment guidelines, borrowing limits and operational practices. Licensed insurers are required to provide for a free-look period for life policies, and accident and health policies with a duration of one year or more.

Market Conduct Standards

MAS Notice 306 on Market Conduct Standards for Life Insurers Providing Financial Advisory Services as Defined under the Financial Advisers Act (“**MAS Notice 306**”) imposes certain requirements on direct life insurers which provide financial advisory services under the FAA relating to, among other things, training and competency requirements, prohibition against subsidized loans to representatives out of life insurance funds, establishing a compliance unit, taking disciplinary action against representatives for misconduct, and allocation/non-allocation of income and expenses to the life insurance funds. The MAS Notice 318 on Market Conduct Standards for Direct Life Insurer as a Product Provider (“**MAS Notice 318**”) also imposes certain requirements on direct life insurers as product providers of life policies relating to, among other things, standards of disclosure and restrictions on the sales process and the replacement of life policies.

MAS Notice 211 on Minimum and Best Practice Training and Competency Standards for Direct General Insurers requires direct general insurers to only enter into insurance contracts arranged by agents or staff with requisite registration and minimum qualification requirements (unless exemptions apply), and requires direct general insurers to ensure that staff of certain agents who sell or provide sales advice on the insurers’ products are adequately trained and that front-end operatives meet the qualification requirements (unless exemptions apply) before they are allowed to

provide sales advice on or sell general insurance products or handle claims. MAS Notice 211 was also revised as of 6 July 2015 to (among other things) clarify that the requirements similarly apply to outsourced claims handlers, with the amendments taking effect on 20 July 2015. Non-mandatory best practice standards apply to direct general insurers to implement training and competency plans for front-end operatives. The MAS Guidelines on Market Conduct Standards and Service Standards for Direct General Insurers set out the standards of conduct expected of direct general insurers as product providers of insurance policies.

In respect of health insurance products, direct insurers must ensure, among other things, that any individual employed by them or who acts as their insurance agent or appointed representative pass the examination requirements specified in MAS Notice 117 on Training and Competency Requirement: Health Insurance Module (unless exemptions apply) and are prohibited from accepting business in respect of any health insurance product from any individual whom they employ or who acts as their insurance agent and who has not met such requirements. The MAS Notice 120 on Disclosure and Advisory Process Requirements for Accident and Health Insurance Products sets out both mandatory requirements and best practice standards on the disclosure of information and provision of advice to insureds for accident and health policies and life policies that provide accident and health benefits. In 2015, the MAS reviewed the regulatory framework for accident and health insurance products and amended MAS Notices 117 and 120. The changes largely pertain to Medisave-approved Integrated Shield Plans (“IPs”) but extend in part to all accident and health policies. The changes include enhanced disclosure requirements, stronger protection measures for policyholders, and improved quality of conduct of intermediaries selling accident and health insurance.

MAS Notice 320 on Management of Participating Life Insurance Business requires a direct life insurer to comply with certain disclosure requirements for product summaries, and annual bonus updates, in relation to its participating policies.

The Insurance (Remuneration) Regulations 2015, which came into force on 1 January 2016, set out certain requirements in connection with the payment of remuneration in relation to the provision of any financial advisory service in connection with any life policy, or the sale of any life policy following the provision of any financial advisory service.

The MAS implemented financial advisory industry review (“FAIR”) initiatives such as a web aggregator, which allows consumers to compare life insurance products from various companies using a web portal, and direct channel purchase in April 2015. In August 2015, the Life Insurance Association, Singapore announced that there were 193 cases of direct channel purchase across Singapore’s insurance industry from 7 April 2015 to 30 June 2015. The re-issuance of MAS Notice 322 on Information to be

Submitted Relating to the Web-Aggregator has come into effect on 1 January 2016, specifically detailing the information required to be submitted to the web-aggregator.

Various industry codes of practice also apply to insurers, including codes/guidelines issued by the Life Insurance Association of Singapore and the General Insurance Association of Singapore.

In addition, there are rules in the Insurance Act of Singapore and the relevant regulations, notices, guidelines and circulars relating to the granting of loans, advances and credit facilities by insurers, which insurers have to comply with if they conduct such activities.

Corporate Governance

Direct insurers that are incorporated in Singapore are subject to the MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore. These guidelines provide guidance on best practices that certain financial institutions, including direct insurers that are incorporated in Singapore, should strive to achieve in relation to their corporate governance. The guidelines in Annex 1 thereto comprise the Code of Corporate Governance 2012 for companies listed on the SGX-ST and supplementary principles and guidelines added by the MAS to take into account the unique characteristics of the business of, among other things, insurance. These financial institutions are expected to observe the guidelines in Annex 1 to the fullest extent possible. Financial institutions which are not listed on the SGX-ST should disclose their corporate governance practices and explain deviations from the guidelines on their websites.

In addition, all direct insurers which are incorporated in Singapore (other than marine mutual insurers) are subject to the Insurance (Corporate Governance) Regulations 2013. Among other things, these regulations require an insurer which is established or incorporated in Singapore and in the case of:

- (a) a direct life insurer, which has total assets of at least S\$5 billion or its equivalent in any foreign currency;
- (b) a direct composite insurer, which has (A) total assets of at least S\$5 billion or its equivalent in any foreign currency or (B) for its general business, gross premiums of at least S\$500 million or its equivalent in any foreign currency in its insurance funds and income and outgoings of the operations of all its branches located outside Singapore,

(each a “**Tier 1 insurer**”) to, subject to certain exceptions, have a board of directors comprising at least a majority of directors who are “independent directors”, establish various committees with prescribed responsibilities, and obtain the MAS’s prior approval for the appointment of the members of the nominating committee, chief

financial officer and chief risk officer. “Independent directors” are directors who are independent from any management and business relationship with the insurer and from any substantial shareholder of the insurer and who have not served on the board of directors of the insurer for a continuous period of nine years or longer. Great Eastern Life and GEG are both Tier 1 insurers.

Asset and Liability Exposures

MAS Notice 122 on Asset & Liability Exposures for Insurers sets forth various asset and liability exposures reporting requirements and prescribes the form in which the relevant reports are to be made.

A licensed insurer is required to file, among other things, the following with the MAS (i) for each quarter, the breakdown of equity securities, breakdown of debt securities, breakdown of loans, breakdown of cash and deposits, breakdown of derivatives, turnover volume of derivatives, breakdown of foreign currency exposure for assets and liabilities and top 10 broker groups with the highest outstanding premiums due, and (ii) annually, the breakdown of assets managed by head office/parent/outsourced entity, breakdown of insurance exposure of Singapore Insurance General Fund and breakdown of insurance exposure of Offshore Insurance (Life and General) Fund.

Risk Management and Fit and Proper Person

Broadly, the MAS has issued risk management guidelines applicable to insurers specifically and to financial institutions generally which would apply to licensed insurers.

MAS Notice 126 on Enterprise Risk Management (“ERM”) for Insurers sets out ERM requirements and guidelines on how insurers are to identify and manage interdependencies between key risks, and how they are translated into management actions related to strategic and capital planning matters.

MAS Notice 127 on Technology Risk Management sets out requirements relating to technology risk management for licensed insurers. These include requirements for the insurer to have in place a framework and process to identify critical systems, to make all reasonable effort to maintain high availability for critical systems, to establish a recovery time objective of not more than four hours for each critical system, to notify the MAS of a system malfunction or IT security incident, which has a severe and widespread impact on the insurer’s operations or materially impacts the insurer’s service to its customers, to submit a root cause and impact analysis report to the MAS and to implement IT controls to protect customer information from unauthorized access or disclosure.

MAS Technology Risk Management Guidelines set out risk management principles and best practice standards to guide financial institutions (including licensed insurers) in respect of (a) establishing a sound and robust technology risk management framework, (b) strengthening system security, reliability, resiliency, and

recoverability, and (c) deploying strong authentication to protect customer data, transactions and systems. Senior officers who have direct knowledge of a financial institution's information systems and operations should complete a prescribed compliance checklist each year. The MAS has also issued circulars on particular aspects of technology risk management.

Under the MAS Guidelines on Fit and Proper Criteria, the following persons, among others, are required to be "fit and proper" persons: a substantial shareholder of a licensed insurer, a principal officer or director of a licensed insurer, a person having effective control of a licensed insurer, a person having control of a licensed insurer, an appointed actuary, a certifying actuary, and an exempt financial institution and its representatives in relation to activities regulated by the MAS under the FAA. Broadly, the MAS will take into account, among other things, the following criteria in considering whether a person is fit and proper: (i) honesty, integrity and reputation; (ii) competence and capability; and (iii) financial soundness. While the Guidelines have not been updated to take into account the amendments brought about by the Insurance (Amendment) Act 2013, it is expected that the requirements in the Guidelines should be interpreted in a manner consistent with the Insurance (Amendment) Act 2013.

Appointment of Chairman, Directors and Key Executive Persons

A licensed insurer established or incorporated in Singapore must, prior to appointing a person as its chairman, director or key executive person (such persons include the chief executive, deputy chief executive, appointed actuary, certifying actuary, chief financial officer of a Tier 1 insurer, chief risk officer of a Tier 1 insurer and such other person holding an appointment in the licensed insurer as may be prescribed), satisfy the MAS that the person is a fit and proper person to be so appointed and obtain the MAS's approval for the appointment. Without the prior written consent of the MAS, a licensed insurer which is established or incorporated in Singapore must not permit a person to act as its executive officer or director if the person, among other things, has been convicted, whether in Singapore or elsewhere, of an offence involving fraud or dishonesty, or is an undischarged bankrupt, whether in Singapore or elsewhere.

MAS Notice 106 on Appointment of Director, Chairman and Key Executive Person sets out mandatory requirements and guidelines relating to the appointment of a director, chairman and key executive person of a licensed insurer. In addition, MAS Notice 106 prescribes the application form for the appointment of directors, chairman and key executive persons, and the form for licensed insurers to notify the MAS of changes in the roles and responsibilities or reporting structure of directors and key executive persons.

If at any time it appears to the MAS that (a) a key executive person, the chairman or a director of a licensed insurer which is established or incorporated in Singapore has failed to perform his functions or is no longer a fit and proper person to be so

appointed and (b) it is necessary in the public interest or for the protection of policy owners of a licensed insurer, the MAS may direct the licensed insurer to remove the key executive person, chairman or director, as the case may be, from his office, appointment or employment.

Financial Reporting Requirements

The Insurance (Accounts and Statements) Regulations 2004 sets forth various reporting requirements and prescribes the form in which the relevant statements of account and other statements of a licensed insurer are to be made. In respect of insurance returns, the MAS stated in Circular No. ID13/17 issued on 15 December 2017 that it intends to defer the implementation of revised submission requirements and insurance returns, which were appended to the MAS's response to feedback received (dated 28 June 2016) on the Consultation Paper on Review of Insurance Returns, to 1 January 2019.

A licensed insurer incorporated in Singapore carrying on life or both life and general business is required to file, among other things, the following with the MAS (i) for each quarter and each accounting period, statements for each insurance fund established and maintained under the Insurance Act of Singapore, in respect of its life business and general business, (ii) for each quarter in respect of its global business operations, a balance sheet as at the end of that quarter, (iii) for each accounting period in respect of its global business operations, a balance sheet as at the end of that accounting period and a profit and loss account, (iv) for each accounting period, the reports by an actuary on his investigation of policy liabilities respect of its life insurance business and general insurance business, (v) for each quarter and each accounting period, statements on the fund solvency requirement and capital adequacy requirement, (vi) an auditor's report and supplementary report (if any), (vii) an annual report for each financial year and (viii) any other information the MAS may require for the discharge of its functions under the Insurance Act of Singapore.

In addition, MAS Notice 306 and MAS Notice 318 require direct life insurers to submit information on their businesses to the MAS annually or (in the case of MAS Notice 306) a nil return. Further, MAS Notice 318 requires direct life insurers to submit information on distribution costs, source of business, fact-find options and complaints to the MAS annually.

Appointment of auditors

A licensed insurer (other than a captive insurer and a marine mutual insurer) is required to appoint an auditor annually for the purposes of preparing and lodging with the MAS the requisite statements of accounts and other statements relating to its business. No person shall act as auditor for a licensed insurer unless, among other things, the insurer has obtained the approval of the MAS to appoint that person as an auditor.

Actuaries

A licensed insurer carrying on life and general business is also required, for each accounting period, to have an investigation made by an actuary approved by the MAS into the financial condition of each class of business that it carries on. Actuaries must be approved by the MAS. A direct insurer licensed to carry on life and general business shall have appointed an actuary and a certifying actuary, in each case, who is responsible for, among other things, reporting to the chief executive of the insurer on various matters including matters which in the actuary's opinion have a material adverse effect on the financial condition of the insurer in respect of its life or general business, or both, as the case may be. If the appointed actuary or certifying actuary, as the case may be, is of the opinion that the insurer has failed to take appropriate steps to rectify any matter reported by the actuary within a reasonable time, the actuary is required to immediately send a copy of his report to the MAS and notify the board of directors of the insurer that he has done so.

Public Disclosure

Licensed insurers are subject to MAS Notice 124 on Public Disclosure Requirements (“**MAS Notice 124**”) which sets out requirements for an insurer to disclose relevant, comprehensive and adequate information on a timely basis in order to give a clear view of its business activities, performance and financial position. MAS Notice 124 require an insurer to disclose quantitative and qualitative information on its profile, governance and controls, financial position, technical performance and the risks to which it is subject.

Digital Advisory Services

In June 2017, the MAS issued a Consultation Paper on the Provision of Digital Advisory Services and has indicated that digital advisers seeking to offer their platforms to investors in Singapore will have to be licensed for fund management or dealing in securities under the SFA and / or providing financial advice on investment products under the FAA. The type of licensing depends on the operating model of the digital adviser. The consultation paper discusses the unique characteristics of digital advisers and sets out the MAS's expectations on the Board and Senior Management to address the risks posed covering governance and supervision of algorithms. The consultation paper also discusses the proposed legislative changes to facilitate the provision of digital advisory services, and covers the suitability of advice, portfolio management and execution of investment transactions.

REGULATION/LEGAL ASPECTS OF THE SINGAPORE RESIDENTIAL MORTGAGE MARKET

In the section “Regulation/Legal Aspects of the Singapore Residential Mortgage Market” the following words appearing on pages 283 and 284 of the Offering Memorandum:

“Regulation Aspects of the Singapore Residential Mortgage Market

*Residential property loans are loans in respect of property in Singapore which is permitted under the Planning Act, Chapter 232 of Singapore for use solely or partly for residential purposes, including a HDB flat, or in accordance with its zoning in the Urban Redevelopment Authority Master Plan is permissible for use solely or partly for residential property (“**Residential Property**”). Residential Property loans issued by banks in Singapore are subject to regulation under the Banking Act, the Banking Regulations, and notices, circulars and guidelines issued by the MAS thereunder. In particular, Residential Property loans are subject to MAS Notice 632 on Residential Property Loans, which was issued by the MAS on 27 August 2013 and last revised on 10 February 2014 (“**MAS Notice 632**”). MAS Notice 632 sets out criteria in respect of any credit facility for the purchase of Residential Property or, in the case where the borrower is a vehicle set up solely for the purchase of Residential Property, the vehicle, and any credit facility otherwise secured by Residential Property extended to a borrower who is an individual or, in the case where the borrower is a vehicle set up solely for the purchase of Residential Property in Singapore, the vehicle. MAS Notice 632 prescribes, among other things, LTV% applicable to Residential Property loans, the proportion of the borrower’s minimum cash contribution towards the purchase of the Residential Property and prohibits interest-only loans and interest absorption schemes. Below is a summary of some of the more significant requirements of MAS Notice 632. In addition, the MAS introduced a TDSR framework for all property loans granted by banks to individuals (including sole proprietorships and vehicles set up solely for the purchase of property) pursuant to MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans and the Guidelines thereto, each dated 28 June 2013 and last revised on 1 September 2016. The TDSR framework requires banks to take into consideration borrowers’ other outstanding debt obligations when granting property loans. Banks are required to compute the TDSR, or the percentage of monthly total debt obligations to gross monthly income, on a consistent basis. The MAS expects property loans granted by a bank to not exceed a TDSR threshold of 60 per cent., that is to say, the individual’s monthly total debt obligations must not exceed 60 per cent. of his gross monthly income. Property loans in excess of the TDSR threshold of 60 per cent. should only be granted on an exceptional basis and banks should clearly document the basis for such loans. In addition, processes should be in place to subject exceptional cases to enhanced credit evaluation and reporting to the MAS. The MAS has stated that it will monitor and review the 60 per cent. threshold over time. The MAS has also capped the mortgage servicing ratio for housing loans granted by banks for the purchase of HDB flats and executive condominium units bought directly from property developers at 30 per cent. of a borrower’s gross monthly income.*

Loan-to-value ratios and borrower’s contribution

*MAS Notice 632 sets out the maximum LTV% and the minimum amount to be paid in cash by the borrower (“**Cash%**”) in respect of Residential Property loans. These figures vary depending on a number of factors, which include the date on which the option to purchase the Residential Property was granted (or where there is no option to purchase, the date of the sale and purchase agreement), whether the borrower is an individual and whether he or she has any other outstanding credit facility for the purchase of another Residential Property, as well as the tenure of the credit facility. MAS Notice 632 provides that banks may not grant:*

- (a) credit facilities for the purchase of Residential Property to a borrower (individual or non-individual) or, in the case where the borrower is a vehicle set up solely for the purchase of Residential Property, the vehicle; and
- (b) credit facilities otherwise secured by Residential Property to a borrower who is an individual or, in the case where the borrower is a vehicle set up solely for the purchase of Residential Property, the vehicle,

where the aggregate of: (i) the amount granted under the credit facility; (ii) the balance outstanding under any other credit facility granted by any MAS-regulated financial institution or moneylender in respect of that Residential Property or otherwise secured by that Residential Property; and (iii) the balance outstanding under any loan granted by the vendor to the borrower for the purchase of that Residential Property exceeds the “Relevant Amount” as defined in MAS Notice 632 (which is derived from a formula which takes into account, among other things, the adjusted purchase price or current market valuation of the property, the LTV% and/or the Cash%).”

shall be deemed to be replaced with:

“Regulation Aspects of the Singapore Residential Mortgage Market

Residential property loans are loans in respect of property in Singapore which is permitted under the Planning Act, Chapter 232 of Singapore for use solely or partly for residential purposes, including a HDB flat, or in accordance with its zoning in the Urban Redevelopment Authority Master Plan is permissible for use solely or partly for residential property (“Residential Property”). Residential Property loans issued by banks in Singapore are subject to regulation under the Banking Act, the Banking Regulations, and notices, circulars and guidelines issued by the MAS thereunder. In particular, Residential Property loans are subject to MAS Notice 632 on Residential Property Loans (“MAS Notice 632”). MAS Notice 632 sets out criteria in respect of any credit facility for the purchase of Residential Property or any credit facility otherwise secured by Residential Property extended to a borrower or, in the case where the borrower is a vehicle set up for the purchase of Residential Property, the vehicle, and any credit facility otherwise secured by Residential Property extended to a borrower who is an individual or, in the case where the borrower is a vehicle set up for the purchase of Residential Property in Singapore, the vehicle. MAS Notice 632 prescribes, amongst other things, LTV% applicable to Residential Property loans, the proportion of the borrower’s minimum cash contribution towards the purchase of the Residential Property and prohibits interest-only loans and interest absorption schemes. Below is a summary of some of the more significant requirements of MAS Notice 632.

In addition, the MAS introduced a TDSR framework for all property loans granted by banks to individuals (including sole proprietorships and vehicles set up for the purchase of property) pursuant to MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans and the Guidelines thereto. The TDSR framework requires banks to take into consideration borrowers’ other outstanding debt obligations when granting property loans. Banks are required to compute the TDSR, or the percentage of monthly total debt obligations to gross monthly income, on a consistent basis. The MAS expects property loans granted by a bank to not exceed a

TDSR threshold of 60 per cent., that is to say, the individual's monthly total debt obligations must not exceed 60 per cent. of his gross monthly income. Property loans in excess of the TDSR threshold of 60 per cent. should only be granted on an exceptional basis and banks should clearly document the basis for such loans. In addition, processes should be in place to subject exceptional cases to enhanced credit evaluation and reporting to the MAS. The MAS has stated that it will monitor and review the 60 per cent. threshold over time. From 11 March 2017, the TDSR framework was disapplied to credit facilities secured by property where the aggregate of the amount to be granted under the credit facility and the balance outstanding under any other credit facility or refinancing facility granted by any person for the purchase of that property or otherwise secured by that property does not exceed 50 per cent. of the current market valuation of the property. This latest disapplication does not apply to credit facilities and refinancing facilities for the purchase of property.

The MAS has also capped the mortgage servicing ratio for housing loans granted by banks for the purchase of HDB flats and executive condominium units bought directly from property developers at 30 per cent. of a borrower's gross monthly income. The TDSR framework was also fine-tuned from 1 September 2016 to allow borrowers more flexibility in managing their debt obligations. In particular, refinements were introduced for refinancing of loans in response to feedback from borrowers who are unable to refinance their existing property loans in response to feedback from borrowers who are unable to refinance their existing property loans owing to the application of the TDR threshold of 60 per cent.

Loan-to-value ratios and borrower's contribution

MAS Notice 632 sets out the maximum LTV% and the minimum amount to be paid in cash by the borrower ("Cash%") in respect of Residential Property loans. These figures vary depending on a number of factors, which include the date on which the option to purchase the Residential Property was granted (or the date of the sale and purchase agreement), whether the borrower is an individual and whether he or she has any other outstanding credit facility for the purchase of another Residential Property, as well as the tenure of the credit facility. MAS Notice 632 provides that banks may not grant:

- (a) credit facilities for the purchase of Residential Property to a borrower (individual or non-individual) or, in the case where the borrower is a vehicle set up for the purchase of Residential Property, the vehicle; and*
- (b) credit facilities otherwise secured by Residential Property to a borrower who is an individual or, in the case where the borrower is a vehicle set up for the purchase of Residential Property, the vehicle,*

where the aggregate of: (i) the amount granted under the credit facility; (ii) the balance outstanding under any other credit facility granted by any MAS-regulated financial institution or moneylender in respect of that Residential Property or secured by that Residential Property; and (iii) the balance outstanding under any loan granted by the vendor to the borrower for the purchase of that Residential Property exceeds the "Relevant Amount" as defined in MAS Notice 632 (which is derived from

a formula which takes into account, amongst other things, the adjusted purchase price or current market valuation of the property, the LTV% and/or the Cash%.”

TAXATION

The sub-section “*Taxation – Singapore Taxation*” appearing on pages 403 to 408 be deleted in its entirety and substituted therefor with the following:

“Singapore Taxation

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the MAS in force as at the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Covered Bonds or of any person acquiring, selling or otherwise dealing with the Covered Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Covered Bonds. The statements made herein do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Covered Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Covered Bondholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Covered Bonds, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither OCBC Bank nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Covered Bonds.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the “**ITA**”), the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is: (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore); or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the Programme as a whole was arranged by Barclays Bank PLC, Singapore Branch, Crédit Agricole Corporate and Investment Bank, Singapore Branch and Oversea-Chinese Banking Corporation Limited, each of which was a Financial Sector Incentive (Bond Market), Financial Sector Incentive (Standard Tier) or Financial Sector Incentive (Capital Market) Company (as defined in the ITA) at such time, any tranche of the Covered Bonds ("**Relevant Covered Bonds**") issued or to be issued as debt securities under the Programme during the period from the date of this Offering Memorandum to 31 December 2018 would be "qualifying debt securities" ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing by OCBC Bank, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Covered Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Covered Bonds as the MAS may require and the inclusion by OCBC Bank in all offering documents relating to the Relevant Covered Bonds of a statement to the effect that, where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Covered Bonds is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Covered Bonds using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium

and break cost (collectively, the “**Qualifying Income**”) from the Relevant Covered Bonds derived by a holder who is not resident in Singapore and who: (i) does not have any permanent establishment in Singapore; or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Covered Bonds are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax. “**Funds from Singapore operations**” means, in relation to a person, the funds and profits of that person’s operations through a permanent establishment in Singapore;

- (b) subject to certain conditions having been fulfilled (including the furnishing by OCBC Bank, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Covered Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Covered Bonds as the MAS may require), Qualifying Income derived by any company or a body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (c) subject to:
 - (i) OCBC Bank including in all offering documents relating to the Relevant Covered Bonds a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Covered Bonds is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (ii) the furnishing by OCBC Bank, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Covered Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Covered Bonds as the MAS may require,

payments of Qualifying Income derived from the Relevant Covered Bonds are not subject to withholding of tax by OCBC Bank.

Notwithstanding the foregoing:

- (a) if, during the primary launch of any tranche of Relevant Covered Bonds, the Relevant Covered Bonds of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Covered Bonds is beneficially held or funded, directly or indirectly, by related parties of OCBC Bank, such Relevant Covered Bonds would not qualify as QDS; and
- (b) even though a particular tranche of Relevant Covered Bonds are QDS, if, at any time during the tenure of such tranche of Relevant Covered Bonds, 50 per cent. or more of such Relevant Covered Bonds which are outstanding at any time during the life their issue is beneficially held or funded, directly or

indirectly, by any related party(ies) of OCBC Bank, Qualifying Income derived from such Relevant Covered Bonds held by:

- (i) any related party of OCBC Bank; or
- (ii) any other person where the funds used by such person to acquire such Relevant Covered Bonds are obtained, directly or indirectly, from any related party of OCBC Bank,

shall not be eligible for the tax exemption or concessionary rate of tax described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “break cost”, “prepayment fee” and “redemption premium” are defined in the ITA as follows:

- (a) “**break cost**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
- (b) “**prepayment fee**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- (c) “**redemption premium**”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “**break cost**”, “**prepayment fee**” and “**redemption premium**” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) is derived from any of the Relevant Covered Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Covered Bonds using funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Covered Bonds is not exempt from tax is required to include such income in a return of income made under the ITA.

It was announced in the Singapore Budget Statement 2018 that the QDS Scheme will be extended until 31 December 2023, subject to details to be announced by the MAS.

Under the Qualifying Debt Securities Plus Scheme (“**QDS Plus Scheme**”), subject to certain conditions having been fulfilled (including the furnishing by the issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the QDS in the prescribed format within such period as the MAS may specify and such other particulars in connection with the QDS as the MAS may require), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2018;
- (b) have an original maturity of not less than 10 years; and
- (c) cannot have their tenure shortened to less than 10 years from the date of their issue, except where:
 - (i) the shortening of the tenure is a result of any early termination pursuant to certain specified early termination clauses which the issuer included in any offering document for such QDS; and
 - (ii) the QDS do not contain any call, put, conversion, exchange or similar option that can be triggered at specified dates or at specified prices which have been priced into the value of the QDS at the time of their issue; and
- (d) cannot be “re-opened” with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of Relevant Covered Bonds are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Covered Bonds, 50 per cent. or more of such Relevant Covered Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of OCBC Bank, Qualifying Income from such Relevant Covered Bonds derived by:

- (a) any related party of OCBC Bank; or
- (b) any other person where the funds used by such person to acquire such Relevant Covered Bonds are obtained, directly or indirectly, from any related party of OCBC Bank,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

It was announced in the Singapore Budget Statement 2018 that the QDS Plus Scheme will be allowed to lapse after 31 December 2018, but debt securities with tenures of at least 10 years which are issued on or before 31 December 2018 can continue to enjoy the tax concessions under the QDS Plus Scheme if the conditions of such scheme as set out above are satisfied.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Covered Bonds will not be taxable in Singapore. However, any gains derived by any person from the sale of the Covered Bonds as part of a trade or business carried on by that person in Singapore may be taxable as such gains are considered revenue in nature.

Covered Bondholders who are adopting Singapore Financial Reporting Standard (“FRS”) 39 or FRS 109 for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) for tax purposes in accordance with the provisions of FRS 39 or FRS 109 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of the Covered Bonds is made. See also “Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes” below.

Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The Inland Revenue Authority of Singapore has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement”.

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions. The IRAS has also issued a circular entitled “Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments”.

Covered Bondholders who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Covered Bonds.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Payments by the CBG under the Covered Bond Guarantee

OCBC Bank has obtained a specific tax remission from the Ministry of Finance on payments that the CBG is liable to pay under the Covered Bond Guarantee to the holders of any Relevant Covered Bonds issued on or before 31 December 2018, as if the tax exemption or concessionary tax rate (as the case may be) for Qualifying Income under the QDS scheme applies to such payments made by the CBG under the Covered Bond Guarantee, subject to the following conditions being fulfilled:

- (a) payments made by the CBG to holders of the Relevant Covered Bonds under the Covered Bond Guarantee would be the same as if such payments were

made directly by OCBC Bank (i.e. holders of the Relevant Covered Bonds would derive the same income, both in terms of amount and timing, from the CBG under the Covered Bond Guarantee as they would have received from OCBC Bank in the absence of default); and

- (b) the Relevant Covered Bonds are QDS under the QDS scheme, and all the conditions for the tax exemption or concessionary tax rate under the QDS scheme (as described above) are met.”