

## Media Release

### **OCBC Group Full Year 2019 Net Profit Rose 8% to a Record S\$4.87 billion**

***Fourth quarter net profit rose 34% from a year ago and up 6% from the  
previous quarter***

***Proposed final dividend increased to 28 cents per share;  
2019 full year dividend at 53 cents, 23% higher year-on-year***

Singapore, 21 February 2020 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a record net profit after tax of S\$4.87 billion for the financial year ended 31 December 2019 (“FY19”), 8% higher than S\$4.49 billion a year ago (“FY18”). The resilient performance was driven by sustained earnings growth across the Group’s banking, wealth management and insurance franchise.

Net interest income increased 7% to a new high of S\$6.33 billion from S\$5.89 billion in the previous year, underpinned by asset growth and a rise in net interest margin (“NIM”). NIM expanded 7 basis points to 1.77%, mainly in Singapore and Greater China, as higher asset yields outpaced the rise in funding costs.

Non-interest income climbed 19% year-on-year from S\$3.81 billion to S\$4.54 billion in FY19, driven by broad-based income growth. Net fee income rose 5% year-on-year to a record S\$2.12 billion, led by higher wealth management and credit card fees, as well as increased fees from loan, trade and investment banking activities. Net trading income grew substantially to S\$977 million from S\$508 million a year ago, mainly attributable to an 18% increase in customer flow income and mark-to-market gains in Great Eastern Holdings’ (“GEH”) investment portfolio. Net gains from the sale of investment securities were higher at S\$171 million as compared to S\$16 million in the previous year.

Income from life and general insurance rose 7% to S\$976 million. Total weighted new sales of S\$1.26 billion and new business embedded value (“NBEV”) of S\$616 million at GEH were both higher year-on-year, by 1% and 15% respectively. NBEV margin improved to 48.8% from 43.0% a year ago as a result of GEH’s product and distribution strategy to optimise its product mix.

The Group’s wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 20% to a new high of S\$3.40 billion in FY19, up from S\$2.84 billion a year ago. This represented 31% of the Group’s total income for the year, higher than the 29% in FY18. Bank of Singapore’s assets under management (“AUM”) expanded 15% year-on-year to a record US\$117 billion (S\$158 billion) from US\$102 billion (S\$139 billion) in the previous year, driven by sustained net new money inflows and positive market valuations.

Operating expenses of S\$4.64 billion for the year were 10% higher than FY18, largely attributable to an increase in staff costs linked to headcount growth, including at GEH which saw a more substantial rise in staff expenses as it positioned for higher volume growth. The Group's cost-to-income ratio ("CIR") declined to 42.7%, from 43.4% in the previous year. Net allowances for loans and other assets were higher at S\$746 million as compared to S\$288 million a year ago.

Share of profits from associates rose 24% to S\$566 million, from S\$455 million in the previous year.

Core return on equity ("ROE") of 11.4% for FY19 was marginally below 11.5% in FY18, attributable to the enlarged share capital base as a result of the application of the scrip dividend scheme. Core earnings per share was higher at S\$1.14 against S\$1.06 in FY18.

#### **Fourth Quarter Performance**

The Group reported a core net profit after tax of S\$1.24 billion for the fourth quarter of 2019 ("4Q19"), an increase of 34% from S\$926 million a year ago ("4Q18").

Net interest income grew 6% year-on-year to S\$1.61 billion from loan growth and improved margins. Average customer loans increased 3% from a year ago, mainly from lending to corporate customers. NIM rose 5 basis points to 1.77% from 1.72% in 4Q18, largely due to the management of funding costs. For 4Q19, non-interest income climbed 58% to S\$1.31 billion from S\$830 million in the previous year. Net fees and commissions grew 17% to a quarterly high of S\$556 million, led by higher fees from wealth management, credit card, loan and transaction banking activities. Net trading income increased to S\$316 million from S\$9 million a year ago, driven by higher gains from treasury activities, a rise in customer flow income, and mark-to-market gains. Net gains from the sale of investment securities were also higher at S\$35 million, as compared to the S\$2 million reported in 4Q18. Income from life and general insurance grew 25% to S\$308 million from S\$247 million in the previous year, as a result of improved investment performance, and higher year-on-year sales, NBEV and margins.

Operating expenses of S\$1.27 billion were 17% higher than the S\$1.08 billion in 4Q18, mainly from a rise in staff costs. CIR for the quarter was lower at 43.3% as compared to 45.9% a year ago. Net allowances for loans and other assets were S\$207 million, little changed from the S\$205 million a year ago. The Group's share of results of associates was 13% higher at S\$94 million in 4Q19.

Compared to the previous quarter ("3Q19"), net profit was 6% higher quarter-on-quarter. Net interest income rose 1% from asset growth, with NIM stable quarter-on-quarter at 1.77%. Non-interest income increased 24% from growth in fee, trading, and life and general insurance income. Operating expenses were 12% higher than 3Q19, while net allowances for loans and other assets were 15% higher.

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## **Allowances and Asset Quality**

Asset quality remained satisfactory as the Group continued to exercise prudence in the current operating environment, and stayed proactive in managing its loan portfolio.

As at 31 December 2019, total non-performing assets ("NPA") were S\$3.88 billion, down from S\$4.19 billion in the previous quarter and S\$3.94 billion a year ago. The decline in NPAs was led by the upgrades and recoveries from accounts in the oil and gas support vessels and services ("OSV") industry as well as write-offs in that sector. The non-performing loans ratio of 1.45% was lower as compared to 1.58% a quarter ago and 1.49% in the previous year. Total cumulative allowances represented 250% of unsecured NPAs as at 31 December 2019.

Net allowances for loans and other assets in FY19 of S\$746 million were above the S\$288 million a year ago. The year-on-year increase was largely attributable to allowances made for the non-performing loans in the OSV sector where vessels coming off charter were not able to secure term renewals. Consistent with past practices, the collateral valuation of vessels pending employment were written down to scrap value. The Group also set aside additional allowances for non-impaired loans resulting from the adjustment to the macro economic variables in the Expected Credit Loss model to reflect the weaker market outlook in the region.

## **Funding and Capital Position**

The Group's funding and capital position remained strong. Customer loans grew 3% year-on-year to S\$265 billion as at 31 December 2019, led by higher loans to the manufacturing, building and construction sectors, as well as financial institutions, investment and holding companies. Customer deposits rose 3% from a year ago to S\$303 billion, driven by a 7% increase in current account and savings deposits ("CASA"). CASA represented 48.4% of total non-bank deposits, an increase from 46.4% as at 31 December 2018. The Group's loans-to-deposits ratio was 86.5%, as compared to 86.4% in the previous year.

For FY19, the average Singapore dollar and all-currency liquidity coverage ratios for the Group were higher year-on-year at 273% and 155% respectively, while the net stable funding ratio was 111%.

As at 31 December 2019, the Group's Common Equity Tier 1 capital adequacy ratio was higher at 14.9% as compared to 14.0% a year ago, and the leverage ratio improved to 7.7% from 7.2% in the previous year.

These regulatory ratios were all above their respective regulatory requirements.

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## **Final Dividend**

The Board has proposed a final tax-exempt dividend of 28 cents per share. This represents a 22% increase from the final dividend of 23 cents a year ago and 12% rise from FY19 interim dividend of 25 cents. Together with the interim dividend of 25 cents per share, the total dividend for FY19 amounts to 53 cents per share, 23% or 10 cents higher than the 43 cents in the previous year. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total dividend payout will amount to S\$2.31 billion, up 27% from FY18. This represents a dividend payout ratio of 47% against core net profit, which is above the 40% a year ago.

## **CEO's Comments**

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

"OCBC achieved a strong performance in 2019 which marked another consecutive year of record earnings. Income growth was broad-based across our banking, wealth management and insurance franchise. We achieved our loan target and saw improved margins for the full year. In the Group's wealth management business, both income and AUM rose to new highs. Our insurance business reported increased sales, improved new business embedded value and higher margins. We made strong progress in our ESG agenda, particularly in our green and renewables financing portfolio where we are on track to meet our 2022 target ahead of time.

Our strong financial and capital position have allowed us to provide shareholders with a progressive and sustainable dividend that is consistent with our long-term growth. We are pleased to raise both our 2019 interim and final dividend, which brings our full year dividend to 53 cents per share, a rise of 10 cents or 23% from a year ago.

Looking ahead, the global economic outlook is expected to be weaker than originally expected. We are watchful of the impact to our business and customers from the continuing trade tensions, heightened geo-political risks and the COVID-19 outbreak, and will extend support to customers to help them overcome the market challenges. OCBC has a solid record of producing stable earnings through economic cycles, and we are confident of delivering sustainable returns to all our stakeholders."



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## About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

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

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 540 branches and representative offices in 19 countries and regions. These include over 280 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 80 branches and offices in Mainland China, Hong Kong SAR and Macau SAR under OCBC Wing Hang.

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

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

For more information, please visit [www.ocbc.com](http://www.ocbc.com).

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## **To Our Shareholders**

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

### **Audited Financial Results for the Financial Year Ended 31 December 2019**

For the financial year ended 31 December 2019, the Group reported net profit after tax was S\$4.87 billion. Details of the audited financial results are in the accompanying Group Financial Report.

### **Ordinary Dividend**

A final tax exempt dividend of 28 cents per share has been recommended for the financial year 2019. Including the interim net dividend of 25 cents per share paid in October 2019, total dividends for financial year 2019 would amount to 53 cents per share.

### **Closure of Books**

The record date is 26 May 2020. Please refer to the separate announcement titled "Notice of Books Closure and Payment of Final One-Tier Tax Exempt Dividend on Ordinary Shares for the Financial Year Ended 31 December 2019" released by the Bank today.

### **Scrip Dividend Scheme**

The Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme, which was approved by the Shareholders of the Bank at the Extraordinary General Meeting on 8 June 1996, will not be applicable to the final dividend.

Peter Yeoh  
Secretary

Singapore, 21 February 2020

More details on the results are available on the Bank's website at [www.ocbc.com](http://www.ocbc.com)



**Oversea-Chinese Banking Corporation Limited**  
**Financial Year 2019 Group Financial Report**



Incorporated in Singapore  
Company Registration Number: 193200032W

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Notes:

1. Certain comparative figures have been restated to conform with the current period's presentation.
2. Amounts less than S\$0.5 million are shown as "0".
3. "nm" denotes not meaningful.

## FINANCIAL SUMMARY

OCBC Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by Accounting Standards Council.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2019:

SFRS(I) 3, SFRS(I) 11	<i>Previously Held Interest in a Joint Operation</i>
SFRS(I) 9 (Amendments)	<i>Prepayment Features with Negative Compensation</i>
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 (Amendments)	<i>Interest Rate Benchmark Reform</i>
SFRS(I) 16	<i>Leases</i>
SFRS(I) 1-12 (Amendments)	<i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i>
SFRS(I) 1-19 (Amendments)	<i>Plan Amendment, Curtailment or Settlement</i>
SFRS(I) 1-23 (Amendments)	<i>Borrowing Costs Eligible for Capitalisation</i>
SFRS(I) 1-28 (Amendments)	<i>Long-term Interests in Associates and Joint Ventures</i>
SFRS(I) INT 23	<i>Uncertainty over Income Tax Treatments</i>

The Group adopted SFRS(I) 16 *Leases* effective 1 January 2019. On adoption, right-of-use ("ROU") assets and lease liabilities were recognised on the balance sheet of the Group. Depreciation as well as interest expenses were also recognised in the income statement, replacing the rental expenses.

As of 31 December 2019, ROU assets and lease liabilities were S\$307 million and S\$293 million respectively.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income that existed at 1 January 2019.

## Financial Results

The Group reported a net profit after tax of S\$4.87 billion for the financial year ended 31 December 2019 ("FY19"), 8% higher as compared to S\$4.49 billion a year ago ("FY18").

Net interest income of S\$6.33 billion was up 7% from S\$5.89 billion a year ago, mainly driven by asset growth and a rise in net interest margin ("NIM"). NIM expanded 7 basis points to 1.77%, mainly in Singapore and Greater China, as asset yields rose faster than the increase in funding costs. Non-interest income grew 19% to S\$4.54 billion, from S\$3.81 billion in FY18. Net fees and commissions were S\$2.12 billion, 5% above the S\$2.03 billion in FY18, led by higher wealth management and credit card fees, as well as increased fees from loan, trade, and investment banking activities. Net trading income rose significantly to S\$977 million from S\$508 million a year ago, mainly from an 18% growth in customer flow income and mark-to-market gains in Great Eastern Holdings' ("GEH") investment portfolio. Net gains from the sale of investment securities were higher at S\$171 million, as compared to S\$16 million in FY18. Income from life and general insurance was 7% higher at S\$976 million, while the Group's share of profit from associates increased 24% to S\$566 million in FY19, from S\$455 million in the previous year.

Operating expenses rose 10% to S\$4.64 billion in FY19 from S\$4.21 billion a year ago, mainly from a rise in staff costs linked to headcount growth, including at GEH which saw a more substantial increase in staff expenses as it positioned for higher volume growth. Net allowances for loans and other assets were higher at S\$746 million, as compared to S\$288 million in FY18. The Group's non-performing loans ("NPL") ratio was 1.5% as at 31 December 2019.

Core return on equity was 11.4% in FY19, as compared to 11.5% a year ago. Core earnings per share was higher at S\$1.14, from S\$1.06 in FY18.



## FINANCIAL SUMMARY *(continued)*

The Group's unrealised valuation surplus as at 31 December 2019 was S\$7.36 billion. The unrealised valuation surplus largely represents the difference between the carrying amounts and market values of its properties, investments in associates and quoted subsidiaries.

The Group's net profit after tax for the fourth quarter of 2019 ("4Q19") was S\$1.24 billion, up 34% from S\$926 million a year ago, led by broad-based income growth, which more than offset the increase in operating expenses. Compared to the third quarter of 2019 ("3Q19"), the Group's net profit after tax was 6% higher.

S\$ million	2019	2018	+/(-) %	4Q19	4Q18	+/(-) %	3Q19	+/(-) %
<b>Selected Income Statement Items</b>								
Net interest income	<b>6,331</b>	5,890	7	<b>1,610</b>	1,520	6	1,600	1
Non-interest income	<b>4,540</b>	3,811	19	<b>1,312</b>	830	58	1,055	24
Total income	<b>10,871</b>	9,701	12	<b>2,922</b>	2,350	24	2,655	10
Operating expenses	<b>(4,644)</b>	(4,214)	10	<b>(1,266)</b>	(1,078)	17	(1,132)	12
Operating profit before allowances and amortisation	<b>6,227</b>	5,487	13	<b>1,656</b>	1,272	30	1,523	9
Amortisation of intangible assets	<b>(103)</b>	(102)	1	<b>(26)</b>	(26)	–	(26)	(1)
Allowances for loans and other assets	<b>(746)</b>	(288)	160	<b>(207)</b>	(205)	2	(179)	15
Operating profit after allowances and amortisation	<b>5,378</b>	5,097	6	<b>1,423</b>	1,041	37	1,318	8
Share of results of associates, net of tax	<b>566</b>	455	24	<b>94</b>	85	13	156	(39)
Core profit before income tax	<b>5,944</b>	5,552	7	<b>1,517</b>	1,126	35	1,474	3
<b>Core net profit attributable to shareholders</b>								
One-time items	<b>4,960</b>	4,492	10	<b>1,243</b>	926	34	1,263	(2)
Allowances	<b>(144)</b>	–	–	<b>–</b>	–	–	(144)	(100)
Tax	<b>36</b>	–	–	<b>–</b>	–	–	36	(100)
Non-controlling interest	<b>17</b>	–	–	<b>–</b>	–	–	17	(100)
<b>Reported net profit attributable to shareholders</b>	<b>4,869</b>	4,492	8	<b>1,243</b>	926	34	1,172	6
<b>Cash basis net profit attributable to shareholders <sup>1/</sup></b>								
	<b>4,972</b>	4,594	8	<b>1,269</b>	952	33	1,198	6

### Selected Balance Sheet Items

Ordinary equity	<b>45,662</b>	40,637	12	<b>45,662</b>	40,637	12	44,398	3
Equity attributable to equity holders of the Bank	<b>47,162</b>	42,137	12	<b>47,162</b>	42,137	12	45,898	3
Total assets	<b>491,691</b>	467,543	5	<b>491,691</b>	467,543	5	483,500	2
Assets excluding life insurance fund investment assets	<b>404,353</b>	390,676	4	<b>404,353</b>	390,676	4	399,121	1
Net customer loans	<b>262,045</b>	255,193	3	<b>262,045</b>	255,193	3	260,214	1
Deposits of non-bank customers	<b>302,851</b>	295,412	3	<b>302,851</b>	295,412	3	299,706	1

Note:

1. Excludes amortisation of intangible assets.

## FINANCIAL SUMMARY *(continued)*

	2019	2018	4Q19	4Q18	3Q19
<b>Key Financial Ratios (%)</b>					
<b>Performance ratios <sup>9/</sup></b>					
Return on equity <sup>1/ 2/</sup>	11.4	11.5	10.9	9.0	11.4
Return on assets <sup>3/</sup>	1.26	1.17	1.23	0.94	1.26
<b>Revenue mix/efficiency ratios</b>					
Net interest margin	1.77	1.70	1.77	1.72	1.77
Net interest income to total income	58.2	60.7	55.1	64.7	60.3
Non-interest income to total income	41.8	39.3	44.9	35.3	39.7
Cost-to-income	42.7	43.4	43.3	45.9	42.6
Loans-to-deposits	86.5	86.4	86.5	86.4	86.8
NPL ratio	1.5	1.5	1.5	1.5	1.6
<b>Capital adequacy ratios <sup>8/</sup></b>					
Common Equity Tier 1	14.9	14.0	14.9	14.0	14.4
Tier 1	15.6	14.8	15.6	14.8	15.1
Total	16.8	16.4	16.8	16.4	17.0
<b>Leverage ratio <sup>5/ 8/</sup></b>					
	7.7	7.2	7.7	7.2	7.6
<b>Liquidity coverage ratios <sup>6/ 8/</sup></b>					
Singapore dollar	273	244	278	265	297
All-currency	155	143	163	156	154
<b>Net stable funding ratio <sup>7/ 8/</sup></b>					
	111	109	111	109	110
<b>Earnings per share (S\$) <sup>2/ 9/</sup></b>					
Basic earnings	1.14	1.06	1.11	0.85	1.15
Diluted earnings	1.14	1.06	1.11	0.85	1.15
<b>Net asset value per share (S\$)</b>					
	10.38	9.56	10.38	9.56	10.08

### Notes:

1. Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
2. Calculated based on core net profit less distributions on other equity instruments paid and estimated to be due at the end of the financial period.
3. Computation of return on assets excludes life insurance fund investment assets.
4. Return on equity, return on assets, net interest margin and earnings per share for the quarters are computed on an annualised basis.
5. The Group's Leverage ratio is computed based on MAS Notice 637.
6. The Group's Liquidity coverage ratios ("LCR") are computed based on MAS Notice 649 and reported based on the average LCR for the respective periods.
7. The Group's Net stable funding ratio is computed based on MAS Notice 652.
8. Public disclosures required under MAS Notice 637, MAS Notice 651 and MAS Notice 653 can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website ([http://www.ocbc.com/group/investors/Cap\\_and\\_Reg\\_Disclosures.html](http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html)).
9. Exclude one-time items.

## NET INTEREST INCOME

### Average Balance Sheet

S\$ million	2019			2018		
	Average Balance	Interest	Average Rate %	Average Balance	Interest	Average Rate %
<b>Interest earning assets</b>						
Loans and advances to non-bank customers	256,418	9,086	3.54	247,778	8,195	3.31
Placements with and loans to banks	47,543	1,503	3.16	50,110	1,559	3.11
Other interest earning assets	53,398	1,509	2.82	49,473	1,295	2.62
	<b>357,359</b>	<b>12,098</b>	<b>3.39</b>	<b>347,361</b>	<b>11,049</b>	<b>3.18</b>
<b>Interest bearing liabilities</b>						
Deposits of non-bank customers	296,279	4,807	1.62	287,333	4,169	1.45
Deposits and balances of banks	10,687	192	1.79	8,646	182	2.11
Other borrowings	26,748	768	2.87	31,482	808	2.56
	<b>333,714</b>	<b>5,767</b>	<b>1.73</b>	<b>327,461</b>	<b>5,159</b>	<b>1.58</b>
<b>Net interest income/margin <sup>1/</sup></b>		<b>6,331</b>	<b>1.77</b>		<b>5,890</b>	<b>1.70</b>

S\$ million	4Q19			4Q18			3Q19		
	Average Balance	Interest	Average Rate <sup>2/</sup> %	Average Balance	Interest	Average Rate <sup>2/</sup> %	Average Balance	Interest	Average Rate <sup>2/</sup> %
<b>Interest earning assets</b>									
Loans and advances to non-bank customers	260,190	2,221	3.39	253,624	2,216	3.47	257,333	2,296	3.54
Placements with and loans to banks	46,347	352	3.01	47,434	424	3.54	47,058	378	3.18
Other interest earning assets	54,071	363	2.66	48,930	337	2.73	55,112	395	2.84
	<b>360,608</b>	<b>2,936</b>	<b>3.23</b>	<b>349,988</b>	<b>2,977</b>	<b>3.37</b>	<b>359,503</b>	<b>3,069</b>	<b>3.39</b>
<b>Interest bearing liabilities</b>									
Deposits of non-bank customers	299,335	1,126	1.49	290,710	1,179	1.61	299,242	1,233	1.64
Deposits and balances of banks	10,754	44	1.62	7,567	46	2.40	10,890	51	1.85
Other borrowings	25,731	156	2.41	32,504	232	2.83	25,347	185	2.90
	<b>335,820</b>	<b>1,326</b>	<b>1.57</b>	<b>330,781</b>	<b>1,457</b>	<b>1.75</b>	<b>335,479</b>	<b>1,469</b>	<b>1.74</b>
<b>Net interest income/margin <sup>1/</sup></b>		<b>1,610</b>	<b>1.77</b>		<b>1,520</b>	<b>1.72</b>		<b>1,600</b>	<b>1.77</b>

Notes:

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

## NET INTEREST INCOME *(continued)*

Net interest income rose 7% to S\$6.33 billion in FY19, from S\$5.89 billion a year ago, mainly driven by asset growth and a rise in NIM. NIM expanded 7 basis points to 1.77%, from 1.70% in FY18, underpinned by higher margins in Singapore and Greater China.

Net interest income for 4Q19 was S\$1.61 billion, 6% higher than S\$1.52 billion a year ago, largely attributable to loan growth and an improvement in NIM. Average customer loans grew 3% year-on-year, while NIM rose 5 basis points to 1.77%, largely due to the management of funding costs. Compared with 3Q19, net interest income was 1% higher.

### Volume and Rate Analysis

	2019 vs 2018			4Q19 vs 4Q18			4Q19 vs 3Q19		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
<b>Increase/(decrease) due to change in:</b>									
<b>S\$ million</b>									
<b>Interest income</b>									
Loans and advances to non-bank customers	286	605	891	57	(52)	5	26	(101)	(75)
Placements with and loans to banks	(80)	24	(56)	(10)	(62)	(72)	(6)	(20)	(26)
Other interest earning assets	103	111	214	36	(10)	26	(7)	(25)	(32)
	309	740	1,049	83	(124)	(41)	13	(146)	(133)
<b>Interest expense</b>									
Deposits of non-bank customers	130	508	638	35	(88)	(53)	1	(108)	(107)
Deposits and balances of banks	44	(34)	10	19	(21)	(2)	(1)	(6)	(7)
Other borrowings	(122)	82	(40)	(49)	(27)	(76)	3	(32)	(29)
	52	556	608	5	(136)	(131)	3	(146)	(143)
<b>Impact on net interest income</b>	257	184	441	78	12	90	10	(0)	10
Due to change in number of days			—			—			—
<b>Net interest income</b>			441			90			10

## NON-INTEREST INCOME

S\$ million	2019	2018	+/(-) %	4Q19	4Q18	+/(-) %	3Q19	+/(-) %
<b>Gross fee and commission income</b>								
Brokerage	82	105	(22)	20	21	(3)	20	1
Wealth management	1,036	958	8	271	206	31	265	2
Fund management	115	113	2	30	28	10	29	5
Credit card	348	351	(1)	95	91	5	88	9
Loan-related	307	300	2	84	72	15	78	6
Trade-related and remittances	254	239	6	68	62	8	68	(1)
Guarantees	16	18	(7)	4	4	(7)	4	(1)
Investment banking	106	102	4	21	25	(13)	33	(34)
Service charges	99	100	(1)	30	25	20	24	25
Others	44	40	9	10	9	8	13	(27)
	<b>2,407</b>	<b>2,326</b>	<b>3</b>	<b>633</b>	<b>543</b>	<b>16</b>	<b>622</b>	<b>2</b>
<b>Fee and commission expense</b>	<b>(284)</b>	<b>(295)</b>	<b>(4)</b>	<b>(77)</b>	<b>(69)</b>	<b>11</b>	<b>(72)</b>	<b>7</b>
<b>Fees and commissions (net)</b>	<b>2,123</b>	<b>2,031</b>	<b>5</b>	<b>556</b>	<b>474</b>	<b>17</b>	<b>550</b>	<b>1</b>
<b>Dividends</b>	<b>92</b>	<b>128</b>	<b>(28)</b>	<b>33</b>	<b>15</b>	<b>126</b>	<b>26</b>	<b>25</b>
<b>Rental income</b>	<b>80</b>	<b>79</b>	<b>1</b>	<b>20</b>	<b>20</b>	<b>1</b>	<b>21</b>	<b>(4)</b>
<b>Income from life and general insurance</b>								
Profit from life insurance	779	740	5	254	199	27	151	68
Premium income from general insurance	197	171	14	54	48	12	53	1
<b>Sub-total</b>	<b>976</b>	<b>911</b>	<b>7</b>	<b>308</b>	<b>247</b>	<b>25</b>	<b>204</b>	<b>51</b>
<b>Other income</b>								
Net trading income	977	508	92	316	9	nm	182	74
Net gain from investment securities	171	16	955	35	2	nm	55	(37)
Net gain/(loss) from disposal of subsidiaries and associate	1	8	(91)	(0)	3	(100)	0	(125)
Net gain from disposal of properties	83	47	77	33	6	404	8	307
Others	37	83	(55)	11	54	(79)	9	38
<b>Sub-total</b>	<b>1,269</b>	<b>662</b>	<b>92</b>	<b>395</b>	<b>74</b>	<b>432</b>	<b>254</b>	<b>56</b>
<b>Total non-interest income</b>	<b>4,540</b>	<b>3,811</b>	<b>19</b>	<b>1,312</b>	<b>830</b>	<b>58</b>	<b>1,055</b>	<b>24</b>

Non-interest income was 19% higher at S\$4.54 billion in FY19 as compared to S\$3.81 billion a year ago.

Net fees and commissions rose 5% to S\$2.12 billion, driven by higher wealth management and credit card fees, as well as increased fees from loan, trade and investment banking activities. Net trading income was higher at S\$977 million, as compared to S\$508 million in the previous year, mainly attributable to an 18% rise in customer flow income and mark-to-market gains in GEH's investment portfolio. Income from life and general insurance rose 7% to S\$976 million, while net gains from the sale of investment securities of S\$171 million were higher than the S\$16 million a year ago. Net gains from the sale of properties were S\$83 million as compared to S\$47 million in FY18.

Against 4Q18, non-interest income grew 58% from S\$830 million to S\$1.31 billion, driven by broad-based fee income growth, higher income from trading, sale of investment securities and properties, as well as life and general insurance.

## OPERATING EXPENSES

S\$ million	2019	2018	+/(-) %	4Q19	4Q18	+/(-) %	3Q19	+/(-) %
<b>Staff costs</b>	<b>2,840</b>	2,606	9	<b>764</b>	660	16	686	11
<b>Property and equipment</b>								
Depreciation	<b>397</b>	317	25	<b>104</b>	80	29	100	4
Maintenance	<b>136</b>	124	9	<b>38</b>	34	14	34	14
Rental expenses	<b>24</b>	100	(76)	<b>4</b>	25	(83)	5	(23)
Others	<b>301</b>	271	11	<b>84</b>	77	9	74	13
	<b>858</b>	812	6	<b>230</b>	216	7	213	8
<b>Other operating expenses</b>	<b>946</b>	796	19	<b>272</b>	202	34	233	17
<b>Total operating expenses</b>	<b>4,644</b>	4,214	10	<b>1,266</b>	1,078	17	1,132	12
<b>Group staff strength</b>								
Period end	<b>30,492</b>	29,706	3	<b>30,492</b>	29,706	3	30,431	—
Average	<b>30,220</b>	29,549	2	<b>30,461</b>	29,736	2	30,381	—

Operating expenses rose 10% to S\$4.64 billion in FY19, up from S\$4.21 billion a year ago. Staff costs were up 9% to S\$2.84 billion, from S\$2.61 billion in FY19, largely from a rise in staff costs linked to headcount growth, including at GEH which saw a more substantial increase in staff expenses as it positioned for higher volume growth. Property and equipment-related expenses were S\$858 million, an increase of 6% from S\$812 million in the previous year.

With the adoption of SFRS(I) 16 Leases, depreciation for ROU assets in 4Q19 and FY19 were S\$21 million and S\$78 million respectively, replacing the rental expenses.

Compared to 4Q18, operating expenses for the quarter increased 17% to S\$1.27 billion from S\$1.08 billion.

The cost-to-income ratio was lower at 42.7% in FY19, as compared to 43.4% a year ago.

## ALLOWANCES FOR LOANS AND OTHER ASSETS <sup>1/</sup>

S\$ million	2019	2018	+/(-) %	4Q19	4Q18	+/(-) %	3Q19	+/(-) %
Allowances/(write-back):								
Impaired loans								
Singapore	<b>320</b>	219	46	<b>70</b>	140	(50)	160	(56)
Malaysia	<b>99</b>	64	56	<b>47</b>	11	330	3	nm
Indonesia	<b>304</b>	125	143	<b>112</b>	68	66	76	47
Greater China	<b>88</b>	34	155	<b>10</b>	16	(36)	5	98
Others	<b>45</b>	(45)	201	<b>30</b>	15	98	20	50
	<b>856</b>	397	116	<b>269</b>	250	8	264	2
Impaired other assets	<b>2</b>	5	(61)	<b>2</b>	(0)	nm	(1)	361
Non-impaired loans	<b>(109)</b>	(90)	(20)	<b>(64)</b>	(47)	(34)	(83)	23
Non-impaired other assets	<b>(3)</b>	(24)	89	<b>0</b>	2	(73)	(1)	282
<b>Allowances for loans and other assets</b>	<b>746</b>	288	160	<b>207</b>	205	2	179	15

Note:

1. Excludes one-time item.

Allowances for loans and other assets were S\$746 million in FY19, as compared to S\$288 million a year ago. The year-on-year increase was largely attributable to allowances made for the non-performing loans in the oil and gas support vessels and services industry, as well as additional allowances for non-impaired loans resulting from the adjustment to the macro economic variables in the Expected Credit Loss model to reflect the weaker market outlook in the region.

Allowances for loans and other assets were S\$207 million for the quarter, higher as compared to S\$205 million a year ago and S\$179 million in 3Q19.

## CUSTOMER LOANS

S\$ million	31 Dec 2019	31 Dec 2018	30 Sep 2019
Loans to customers	257,292	248,326	254,348
Bills receivable	7,481	9,379	8,468
Gross customer loans	264,773	257,705	262,816
Allowances			
Impaired loans	(1,395)	(1,219)	(1,272)
Non-impaired loans	(1,030)	(984)	(1,095)
	262,348	255,502	260,449
Less: assets pledged	(303)	(309)	(235)
Net customer loans	262,045	255,193	260,214
<b>By Maturity</b>			
Within 1 year	105,909	107,516	106,083
1 to 3 years	42,735	41,075	42,105
Over 3 years	116,129	109,114	114,628
	264,773	257,705	262,816
<b>By Industry</b>			
Agriculture, mining and quarrying	8,963	8,894	9,816
Manufacturing	17,074	16,493	16,864
Building and construction	64,686	53,511	60,813
Housing loans	62,069	64,753	62,723
General commerce	31,823	34,408	32,695
Transport, storage and communication	13,311	13,510	13,213
Financial institutions, investment and holding companies	24,542	23,916	23,894
Professionals and individuals	30,322	30,373	30,421
Others	11,983	11,847	12,377
	264,773	257,705	262,816
<b>By Currency</b>			
Singapore Dollar	93,559	91,640	93,611
United States Dollar	65,163	67,248	66,100
Malaysian Ringgit	20,878	20,870	20,928
Indonesian Rupiah	9,222	8,695	9,253
Hong Kong Dollar	34,355	35,195	35,300
Chinese Renminbi	4,933	4,502	4,282
Others	36,663	29,555	33,342
	264,773	257,705	262,816
<b>By Geography <sup>1/</sup></b>			
Singapore	108,981	108,169	109,326
Malaysia	28,585	29,649	29,021
Indonesia	19,680	19,660	20,321
Greater China	65,358	64,404	64,466
Other Asia Pacific	15,674	13,595	14,855
Rest of the World	26,495	22,228	24,827
	264,773	257,705	262,816

Note:

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

Gross loans to customers were S\$265 billion as at 31 December 2019, and were higher from a year ago and the previous quarter. By industry, the year-on-year loan growth was led by higher loans to the manufacturing, building and construction sectors, as well as financial institutions, investment and holding companies. In constant currency terms, customer loans grew 3% from a year ago and 1% from the previous quarter.



## NON-PERFORMING ASSETS

S\$ million	Total NPAs <sup>1/</sup>	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs %	NPLs <sup>2/</sup>	NPL Ratio <sup>2/</sup> %
<b>Singapore</b>							
<b>31 Dec 2019</b>	<b>1,717</b>	<b>1,309</b>	<b>237</b>	<b>171</b>	<b>79.2</b>	<b>1,685</b>	<b>1.5</b>
30 Sep 2019	1,815	1,337	298	180	76.9	1,777	1.6
31 Dec 2018	1,540	923	433	184	65.0	1,456	1.3
<b>Malaysia</b>							
<b>31 Dec 2019</b>	<b>738</b>	<b>372</b>	<b>321</b>	<b>45</b>	<b>60.1</b>	<b>726</b>	<b>2.5</b>
30 Sep 2019	757	350	360	47	56.0	754	2.6
31 Dec 2018	806	395	369	42	70.9	803	2.7
<b>Indonesia</b>							
<b>31 Dec 2019</b>	<b>678</b>	<b>289</b>	<b>222</b>	<b>167</b>	<b>49.7</b>	<b>677</b>	<b>3.4</b>
30 Sep 2019	699	492	14	193	70.8	698	3.4
31 Dec 2018	619	406	95	118	75.0	618	3.1
<b>Greater China</b>							
<b>31 Dec 2019</b>	<b>230</b>	<b>54</b>	<b>133</b>	<b>43</b>	<b>51.7</b>	<b>230</b>	<b>0.4</b>
30 Sep 2019	283	73	165	45	47.1	283	0.4
31 Dec 2018	262	120	106	36	49.9	261	0.4
<b>Other Asia Pacific</b>							
<b>31 Dec 2019</b>	<b>101</b>	<b>77</b>	<b>23</b>	<b>1</b>	<b>58.8</b>	<b>101</b>	<b>0.6</b>
30 Sep 2019	111	93	17	1	54.1	111	0.7
31 Dec 2018	176	158	18	0	57.3	165	1.2
<b>Rest of the World</b>							
<b>31 Dec 2019</b>	<b>419</b>	<b>229</b>	<b>183</b>	<b>7</b>	<b>56.4</b>	<b>419</b>	<b>1.6</b>
30 Sep 2019	525	332	186	7	64.0	525	2.1
31 Dec 2018	535	354	180	1	66.5	535	2.4
<b>Group</b>							
<b>31 Dec 2019</b>	<b>3,883</b>	<b>2,330</b>	<b>1,119</b>	<b>434</b>	<b>65.8</b>	<b>3,838</b>	<b>1.5</b>
30 Sep 2019	4,190	2,677	1,040	473	67.9	4,148	1.6
31 Dec 2018	3,938	2,356	1,201	381	66.7	3,838	1.5

### Notes:

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

## NON-PERFORMING ASSETS *(continued)*

Asset quality remained satisfactory as the Group continued to exercise prudence and stayed proactive in managing its loan portfolio. Non-performing assets ("NPAs") were S\$3.88 billion as at 31 December 2019, a 1% decline from S\$3.94 billion a year ago and a 7% decrease from S\$4.19 billion in the previous quarter.

The Group's NPL ratio was 1.5%, an improvement from 1.6% in the previous quarter, and unchanged from the previous year. Of the total NPAs, 60% were in the substandard category and 66% were secured by collateral.

	31 Dec 2019		31 Dec 2018		30 Sep 2019	
	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans
<b>NPLs by Industry</b>						
Loans and advances						
Agriculture, mining and quarrying	468	5.2	555	6.2	583	5.9
Manufacturing	468	2.7	395	2.4	457	2.7
Building and construction	155	0.2	143	0.3	143	0.2
Housing loans	435	0.7	429	0.7	448	0.7
General commerce	555	1.7	676	2.0	648	2.0
Transport, storage and communication	1,563	11.7	1,328	9.8	1,661	12.6
Financial institutions, investment and holding companies	25	0.1	38	0.2	29	0.1
Professionals and individuals	123	0.4	118	0.4	132	0.4
Others	46	0.4	156	1.3	47	0.4
<b>Total NPLs</b>	<b>3,838</b>	<b>1.5</b>	<b>3,838</b>	<b>1.5</b>	<b>4,148</b>	<b>1.6</b>
<b>Classified debt securities</b>	<b>2</b>		<b>2</b>		<b>2</b>	
<b>Classified contingent liabilities</b>	<b>43</b>		<b>98</b>		<b>40</b>	
<b>Total NPAs</b>	<b>3,883</b>		<b>3,938</b>		<b>4,190</b>	

	31 Dec 2019		31 Dec 2018		30 Sep 2019	
	S\$ million	%	S\$ million	%	S\$ million	%
<b>NPAs by Period Overdue</b>						
Over 180 days	1,770	46	1,225	31	1,904	45
Over 90 to 180 days	173	4	397	10	211	5
30 to 90 days	530	14	396	10	498	12
Less than 30 days	474	12	164	4	499	12
Not overdue	936	24	1,756	45	1,078	26
	<b>3,883</b>	<b>100</b>	<b>3,938</b>	<b>100</b>	<b>4,190</b>	<b>100</b>

S\$ million	31 Dec 2019		31 Dec 2018		30 Sep 2019	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
<b>Restructured Loans</b>						
Substandard	1,099	498	765	113	1,213	419
Doubtful	515	279	157	99	338	213
Loss	44	18	33	12	61	31
	<b>1,658</b>	<b>795</b>	<b>955</b>	<b>224</b>	<b>1,612</b>	<b>663</b>

## CUMULATIVE ALLOWANCES FOR ASSETS <sup>1/</sup>

S\$ million	Total cumulative allowances	Allowances for impaired assets	Allowances for non-impaired assets	Allowances for impaired assets as % of total NPAs	Cumulative allowances as % of total NPAs
				%	%
<b>Singapore</b>					
31 Dec 2019	1,476	679	797	39.6	86.0
30 Sep 2019	1,392	589	803	32.4	76.7
31 Dec 2018	1,160	483	677	31.3	75.4
<b>Malaysia</b>					
31 Dec 2019	597	308	289	41.7	80.8
30 Sep 2019	552	275	277	36.3	72.9
31 Dec 2018	552	333	219	41.3	68.5
<b>Indonesia</b>					
31 Dec 2019	571	237	334	34.9	84.1
30 Sep 2019	619	204	415	29.2	88.5
31 Dec 2018	407	200	207	32.2	65.7
<b>Greater China</b>					
31 Dec 2019	382	47	335	20.5	166.5
30 Sep 2019	393	60	333	21.3	138.9
31 Dec 2018	390	61	329	23.4	148.9
<b>Other Asia Pacific</b>					
31 Dec 2019	94	32	62	31.2	92.5
30 Sep 2019	60	2	58	2.0	54.4
31 Dec 2018	45	2	43	1.4	25.8
<b>Rest of the World</b>					
31 Dec 2019	201	94	107	22.5	48.0
30 Sep 2019	247	144	103	27.5	47.1
31 Dec 2018	215	142	73	26.6	40.1
<b>Group</b>					
31 Dec 2019	3,321	1,397	1,924	36.0	85.5
30 Sep 2019	3,263	1,274	1,989	30.4	77.9
31 Dec 2018	2,769	1,221	1,548	31.0	70.3

Note:

1. Included regulatory loss allowance reserve.

As at 31 December 2019, the Group's total cumulative allowances for assets were S\$3.32 billion, higher than S\$3.26 billion in the previous quarter. This comprised S\$1.40 billion in allowances for impaired assets and S\$1.92 billion in allowances for non-impaired assets. The cumulative allowances represented 250% of unsecured NPAs and 86% of total NPAs.

## DEPOSITS

S\$ million	31 Dec 2019	31 Dec 2018	30 Sep 2019
Deposits of non-bank customers	302,851	295,412	299,706
Deposits and balances of banks	8,250	7,576	11,513
	<b>311,101</b>	<b>302,988</b>	<b>311,219</b>
<b>Total Deposits By Maturity</b>			
Within 1 year	307,522	297,702	307,686
1 to 3 years	1,792	2,749	1,215
Over 3 years	1,787	2,537	2,318
	<b>311,101</b>	<b>302,988</b>	<b>311,219</b>
<b>Non-Bank Deposits By Product</b>			
Fixed deposits	128,989	131,610	133,479
Savings deposits	57,465	52,796	55,987
Current account	89,024	84,295	85,090
Others	27,373	26,711	25,150
	<b>302,851</b>	<b>295,412</b>	<b>299,706</b>
<b>Non-Bank Deposits By Currency</b>			
Singapore Dollar	107,278	105,327	106,477
United States Dollar	102,800	91,036	98,589
Malaysian Ringgit	22,827	23,297	23,569
Indonesian Rupiah	10,221	9,474	9,919
Hong Kong Dollar	25,905	28,428	26,579
Chinese Renminbi	6,679	7,674	6,432
Others	27,141	30,176	28,141
	<b>302,851</b>	<b>295,412</b>	<b>299,706</b>

Non-bank customer deposits as at 31 December 2019 were S\$303 billion, up 3% from S\$295 billion a year ago and 1% higher than S\$300 billion in the previous quarter. The year-on-year and quarter-on-quarter growth were mainly attributable to an increase in current account and savings deposits ("CASA"), and the ratio of CASA to total non-bank deposits was higher at 48.4%, as compared to 46.4% a year ago. The Group's loans-to-deposits ratio was 86.5% as at 31 December 2019.

## DEBT ISSUED

S\$ million	31 Dec 2019	31 Dec 2018	30 Sep 2019
<b>Unsecured</b>			
Subordinated debt	1,797	3,247	3,227
Fixed and floating rate notes	4,502	3,857	4,038
Commercial papers	17,872	18,155	10,247
Structured notes	1,742	1,483	1,686
<b>Secured</b>			
Covered bonds	3,475	3,530	3,493
	<b>29,388</b>	<b>30,272</b>	<b>22,691</b>
<b>Debt Issued By Maturity</b>			
Within one year	19,813	20,526	12,996
Over one year	9,575	9,746	9,695
	<b>29,388</b>	<b>30,272</b>	<b>22,691</b>

As at 31 December 2019, the Group had S\$17.87 billion of commercial papers outstanding. The commercial papers form part of the Group's diversified funding sources.

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

## CAPITAL ADEQUACY RATIOS <sup>1/</sup>

S\$ million	31 Dec 2019	31 Dec 2018	30 Sep 2019
Ordinary shares	17,261	15,750	17,288
Disclosed reserves/others	21,452	19,219	20,444
Regulatory adjustments	(6,913)	(6,901)	(6,973)
<b>Common Equity Tier 1 Capital</b>	<b>31,800</b>	<b>28,068</b>	<b>30,759</b>
Additional Tier 1 capital	1,531	1,572	1,531
Regulatory adjustments	—	—	—
<b>Tier 1 Capital</b>	<b>33,331</b>	<b>29,640</b>	<b>32,290</b>
Tier 2 capital	2,661	3,347	3,924
Regulatory adjustments	—	(1)	—
<b>Total Eligible Capital</b>	<b>35,992</b>	<b>32,986</b>	<b>36,214</b>
<b>Risk Weighted Assets</b>	<b>213,356</b>	<b>200,248</b>	<b>212,839</b>
<b>Capital Adequacy Ratios</b>			
Common Equity Tier 1	14.9%	14.0%	14.4%
Tier 1	15.6%	14.8%	15.1%
Total	16.8%	16.4%	17.0%

The Group remained strongly capitalised, with a Common Equity Tier 1 (“CET1”) capital adequacy ratio (“CAR”) of 14.9%, and Tier 1 and Total CAR of 15.6% and 16.8% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2019 <sup>2/</sup>. Compared with 30 September 2019, the Group’s Total CAR was lower, largely due to the redemption of US\$1 billion OCBC 4% subordinated notes, as well as an increase in risk weighted assets.

<sup>1</sup> Public disclosures required under MAS Notice 637 can be found in the Capital and Regulatory Disclosures section of the Bank’s Investor Relations website ([http://www.ocbc.com/group/investors/Cap\\_and\\_Reg\\_Disclosures.html](http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html)).

<sup>2</sup> In addition to these minimum capital requirements, the Group is required to meet Capital Conservation Buffer (“CCB”) of 2.5% and Countercyclical Buffer (“CCyB”) of up to 2.5%. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

## PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, OCBC Wing Hang and Insurance.

### Operating Profit After Allowances and Amortisation by Business Segment <sup>1/</sup>

S\$ million	2019	2018	+ / (-) %	4Q19	4Q18	+ / (-) %	3Q19	+ / (-) %
Global Consumer/Private Banking	<b>1,445</b>	1,313	10	<b>348</b>	299	16	<b>372</b>	(7)
Global Corporate/Investment Banking	<b>1,653</b>	2,051	(19)	<b>333</b>	381	(13)	<b>428</b>	(22)
Global Treasury and Markets	<b>590</b>	492	20	<b>179</b>	100	80	<b>152</b>	18
OCBC Wing Hang	<b>423</b>	497	(15)	<b>89</b>	129	(31)	<b>140</b>	(36)
Insurance	<b>1,068</b>	811	32	<b>307</b>	138	122	<b>204</b>	50
Others	<b>199</b>	(67)	(398)	<b>167</b>	(6)	nm	<b>22</b>	661
<b>Operating profit after allowances and amortisation</b>	<b>5,378</b>	5,097	6	<b>1,423</b>	1,041	37	<b>1,318</b>	8

Note:

1. Excludes one-time item.

### Global Consumer/Private Banking

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

Global Consumer/Private Banking's operating profit after allowances was S\$1.45 billion in FY19 and S\$348 million in 4Q19, a year-on-year increase of 10% and 16% respectively. The operating profit growth for both periods was led by higher net interest income and fee income, partly offset by higher expenses. Against the previous quarter, 4Q19 operating profit declined 7% as fee income growth was more than offset by an increase in expenses.

### Global Corporate/Investment Banking

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

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## **PERFORMANCE BY BUSINESS SEGMENT** *(continued)*

Global Corporate/Investment Banking's operating profit after allowances fell 19% to S\$1.65 billion in FY19. 4Q19 operating profit of S\$333 million was 13% lower year-on-year, and down 22% quarter-on-quarter. The drop in operating profit in FY19 and 4Q19 was attributable to higher allowances, which more than offset revenue growth.

### **Global Treasury and Markets**

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

Global Treasury's operating profit after allowances rose 20% to S\$590 million in FY19 and 80% to S\$179 million in 4Q19. The higher year-on-year operating profit for both periods was largely contributed by higher gains from its fixed income portfolio, partly offset by a drop in net interest income. Compared with 3Q19, operating profit grew 18%, led by higher trading income.

### **OCBC Wing Hang**

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

OCBC Wing Hang's FY19 operating profit after allowances fell 15% to S\$423 million and was down 31% year-on-year to S\$89 million in 4Q19, largely from a one-time gain of S\$40 million from the forfeiture of deposit received in relation to the sale of Hong Kong Life in 4Q18. Excluding this one-time item, FY19 operating profit fell 7%, as higher expenses and allowances offset the increase in net interest income, while 4Q19 operating profit was flat year-on-year. Against the previous quarter, operating profit declined 36% from lower trading income and higher allowances.

### **Insurance**

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

GEH recorded strong growth in operating profit after allowances in FY19 led by positive performance in its investment portfolio. Operating profit rose 32% to S\$1.07 billion in FY19 while 4Q19 operating profit of S\$307 million more than doubled from S\$138 million in 4Q18 and grew 50% compared to 3Q19. The operating profit growth for both periods was mainly attributable to higher mark-to-market gains in equities, and higher insurance income led by strong investment performance as a result of narrowing credit spreads, partly offset by higher expenses.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S\$832 million in FY19 and S\$237 million in 4Q19, compared with S\$604 million in FY18 and S\$109 million in 4Q18 respectively.

### **Others**

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



**PERFORMANCE BY BUSINESS SEGMENT** *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
<b>2019</b>							
Net interest income	2,087	2,708	589	850	112	(15)	6,331
Non-interest income	1,653	910	276	265	1,358	78	4,540
<b>Total income</b>	<b>3,740</b>	<b>3,618</b>	<b>865</b>	<b>1,115</b>	<b>1,470</b>	<b>63</b>	<b>10,871</b>
Operating profit before allowances and amortisation	1,496	2,454	587	523	1,115	52	6,227
Amortisation of intangible assets	(15)	–	–	(41)	(47)	–	(103)
Allowances for loans and other assets <sup>1/</sup>	(36)	(801)	3	(59)	(0)	147	(746)
<b>Operating profit after allowances and amortisation <sup>1/</sup></b>	<b>1,445</b>	<b>1,653</b>	<b>590</b>	<b>423</b>	<b>1,068</b>	<b>199</b>	<b>5,378</b>
<b>Other information:</b>							
Capital expenditure	113	8	1	35	183	222	562
Depreciation	85	11	2	75	8	216	397
<b>2018</b>							
Net interest income	1,909	2,587	622	823	79	(130)	5,890
Non-interest income	1,513	827	137	302	993	39	3,811
<b>Total income</b>	<b>3,422</b>	<b>3,414</b>	<b>759</b>	<b>1,125</b>	<b>1,072</b>	<b>(91)</b>	<b>9,701</b>
Operating profit before allowances and amortisation	1,367	2,316	494	570	852	(112)	5,487
Amortisation of intangible assets	(15)	–	–	(41)	(46)	–	(102)
Allowances for loans and other assets	(39)	(265)	(2)	(32)	5	45	(288)
<b>Operating profit after allowances and amortisation</b>	<b>1,313</b>	<b>2,051</b>	<b>492</b>	<b>497</b>	<b>811</b>	<b>(67)</b>	<b>5,097</b>
<b>Other information:</b>							
Capital expenditure	58	4	0	20	58	157	297
Depreciation	42	8	1	64	6	196	317

Note:

1. Excludes one-time item.

**PERFORMANCE BY BUSINESS SEGMENT** *(continued)*

<b>\$S million</b>	<b>Global Consumer/ Private Banking</b>	<b>Global Corporate/ Investment Banking</b>	<b>Global Treasury And Markets</b>	<b>OCBC Wing Hang</b>	<b>Insurance</b>	<b>Others</b>	<b>Group</b>
<b>4Q19</b>							
Net interest income	531	683	153	219	30	(6)	1,610
Non-interest income	435	262	96	57	410	52	1,312
<b>Total income</b>	<b>966</b>	<b>945</b>	<b>249</b>	<b>276</b>	<b>440</b>	<b>46</b>	<b>2,922</b>
Operating profit before allowances and amortisation	368	635	178	128	319	28	1,656
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowances for loans and other assets	(16)	(302)	1	(29)	0	139	(207)
<b>Operating profit after allowances and amortisation</b>	<b>348</b>	<b>333</b>	<b>179</b>	<b>89</b>	<b>307</b>	<b>167</b>	<b>1,423</b>
<b>Other information:</b>							
Capital expenditure	31	1	1	25	75	75	208
Depreciation	23	3	1	18	2	57	104
<b>4Q18</b>							
Net interest income	486	685	159	207	21	(38)	1,520
Non-interest income	346	187	13	92	191	1	830
<b>Total income</b>	<b>832</b>	<b>872</b>	<b>172</b>	<b>299</b>	<b>212</b>	<b>(37)</b>	<b>2,350</b>
Operating profit before allowances and amortisation	317	593	101	157	150	(46)	1,272
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowances for loans and other assets	(14)	(212)	(1)	(18)	0	40	(205)
<b>Operating profit after allowances and amortisation</b>	<b>299</b>	<b>381</b>	<b>100</b>	<b>129</b>	<b>138</b>	<b>(6)</b>	<b>1,041</b>
<b>Other information:</b>							
Capital expenditure	18	2	0	9	16	56	101
Depreciation	11	2	–	16	2	49	80
<b>3Q19</b>							
Net interest income	535	665	146	219	30	5	1,600
Non-interest income	423	226	75	82	263	(14)	1,055
<b>Total income</b>	<b>958</b>	<b>891</b>	<b>221</b>	<b>301</b>	<b>293</b>	<b>(9)</b>	<b>2,655</b>
Operating profit before allowances and amortisation	396	606	152	149	216	4	1,523
Amortisation of intangible assets	(4)	–	–	(10)	(12)	–	(26)
Allowances for loans and other assets <sup>1/</sup>	(20)	(178)	(0)	1	(0)	18	(179)
<b>Operating profit after allowances and amortisation <sup>1/</sup></b>	<b>372</b>	<b>428</b>	<b>152</b>	<b>140</b>	<b>204</b>	<b>22</b>	<b>1,318</b>
<b>Other information:</b>							
Capital expenditure	38	2	–	4	22	59	125
Depreciation	22	3	–	19	2	54	100

Note:

1. Excludes one-time item.

**PERFORMANCE BY BUSINESS SEGMENT** *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
<b>At 31 December 2019</b>							
Segment assets	112,959	148,224	82,198	52,406	97,158	18,365	511,310
Unallocated assets							1,727
Elimination							(21,346)
<b>Total assets</b>							<b>491,691</b>
Segment liabilities	136,795	115,353	57,095	43,552	85,703	22,853	461,351
Unallocated liabilities							3,083
Elimination							(21,346)
<b>Total liabilities</b>							<b>443,088</b>
<b>Other information:</b>							
Gross non-bank loans	93,268	141,616	1,258	33,050	9	(4,428)	264,773
NPAs	548	3,258	–	133	2	(58)	3,883
<b>At 31 December 2018</b>							
Segment assets	111,730	139,597	78,818	56,693	85,745	19,045	491,628
Unallocated assets							1,292
Elimination							(25,377)
<b>Total assets</b>							<b>467,543</b>
Segment liabilities	128,106	113,058	58,609	48,236	75,879	23,175	447,063
Unallocated liabilities							2,465
Elimination							(25,377)
<b>Total liabilities</b>							<b>424,151</b>
<b>Other information:</b>							
Gross non-bank loans	94,128	132,028	2,195	33,998	15	(4,659)	257,705
NPAs	568	3,309	–	211	2	(152)	3,938
<b>At 30 September 2019</b>							
Segment assets	113,619	147,211	80,174	55,429	94,579	17,310	508,322
Unallocated assets							1,627
Elimination							(26,449)
<b>Total assets</b>							<b>483,500</b>
Segment liabilities	136,997	113,783	62,864	46,478	83,614	16,156	459,892
Unallocated liabilities							2,778
Elimination							(26,449)
<b>Total liabilities</b>							<b>436,221</b>
<b>Other information:</b>							
Gross non-bank loans	93,619	139,387	1,285	33,014	14	(4,503)	262,816
NPAs	575	3,531	–	165	2	(83)	4,190

## PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2019		2018		4Q19		4Q18		3Q19	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
<b>Total income</b>										
Singapore	6,552	60	5,552	57	1,771	60	1,314	56	1,558	59
Malaysia	1,469	13	1,457	15	407	14	359	15	354	13
Indonesia	849	8	769	8	226	8	198	8	218	8
Greater China	1,494	14	1,477	15	379	13	367	16	394	15
Other Asia Pacific	224	2	212	2	61	2	48	2	57	2
Rest of the World	283	3	234	3	78	3	64	3	74	3
	<b>10,871</b>	<b>100</b>	<b>9,701</b>	<b>100</b>	<b>2,922</b>	<b>100</b>	<b>2,350</b>	<b>100</b>	<b>2,655</b>	<b>100</b>
<b>Profit before income tax <sup>1/</sup></b>										
Singapore	3,221	54	2,975	54	795	52	602	54	735	50
Malaysia	830	14	913	16	219	15	213	19	229	15
Indonesia	418	7	354	6	174	12	117	10	84	6
Greater China	1,154	19	1,037	19	244	16	124	11	340	23
Other Asia Pacific	156	3	158	3	37	2	36	3	42	3
Rest of the World	165	3	115	2	48	3	34	3	44	3
	<b>5,944</b>	<b>100</b>	<b>5,552</b>	<b>100</b>	<b>1,517</b>	<b>100</b>	<b>1,126</b>	<b>100</b>	<b>1,474</b>	<b>100</b>
	<b>31 Dec 2019</b>		<b>31 Dec 2018</b>		<b>30 Sep 2019</b>					
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
<b>Total assets</b>										
Singapore	287,129	58	271,142	58	281,194	58				
Malaysia	65,584	13	66,173	14	66,099	14				
Indonesia	17,900	4	16,481	4	17,369	4				
Greater China	81,684	17	80,917	17	82,821	17				
Other Asia Pacific	16,264	3	14,114	3	16,218	3				
Rest of the World	23,130	5	18,716	4	19,799	4				
	<b>491,691</b>	<b>100</b>	<b>467,543</b>	<b>100</b>	<b>483,500</b>	<b>100</b>				

Note:

1. Excludes one-time item.

The geographical segment analysis is based on the location where assets or transactions are booked. For FY19, Singapore accounted for 60% of total income and 54% of pre-tax profit, while Malaysia contributed 13% of total income and 14% of pre-tax profit. Indonesia accounted for 8% of total income and 7% of pre-tax profit. Greater China made up for 14% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S\$3.22 billion in FY19, up 8% from S\$2.98 billion a year ago, driven by broad-based income growth. Malaysia's pre-tax profit fell 9% to S\$830 million from S\$913 million in FY18, as a result of higher allowances. Indonesia's pre-tax profit of S\$418 million in FY19 was higher compared to S\$354 million a year ago, mainly attributable to a rise in net interest income and trading income. Pre-tax profit for Greater China rose 11% to S\$1.15 billion from S\$1.04 billion in FY18, led by an increase in share of associates' profits and higher interest income.

## HALF-YEARLY INCOME AND PROFIT

S\$ million	2019	2018	+/(-) %
<b>Total income</b>			
First half year	5,294	4,807	10
Second half year	5,577	4,894	14
	<b>10,871</b>	<b>9,701</b>	<b>12</b>
<b>Profit for the year</b>			
First half year	2,534	2,419	5
Second half year	2,488	2,256	10
	<b>5,022</b>	<b>4,675</b>	<b>7</b>

## AUDITED CONSOLIDATED INCOME STATEMENT

S\$ million	2019	2018	+/(-)@ %	4Q19@	4Q18@	+/(-)@ %	3Q19@	+/(-)@ %
Interest income	12,098	11,049	9	2,936	2,977	(1)	3,069	(4)
Interest expense	(5,767)	(5,159)	12	(1,326)	(1,457)	(9)	(1,469)	(10)
<b>Net interest income</b>	<b>6,331</b>	<b>5,890</b>	<b>7</b>	<b>1,610</b>	<b>1,520</b>	<b>6</b>	<b>1,600</b>	<b>1</b>
Premium income	10,965	11,674	(6)	3,066	2,857	7	2,860	7
Investment income	6,911	69	nm	1,369	(956)	(243)	1,350	1
Net claims, surrenders and annuities	(6,404)	(6,266)	2	(1,677)	(1,638)	2	(1,758)	(5)
Change in life insurance fund contract liabilities	(8,557)	(3,183)	169	(1,855)	317	(684)	(1,867)	(1)
Commission and others	(2,136)	(1,554)	37	(649)	(381)	70	(434)	50
Profit from life insurance	779	740	5	254	199	27	151	68
Premium income from general insurance	197	171	14	54	48	12	53	1
Fees and commissions (net)	2,123	2,031	5	556	474	17	550	1
Dividends	92	128	(28)	33	15	126	26	25
Rental income	80	79	1	20	20	1	21	(4)
Other income	1,269	662	92	395	74	432	254	56
<b>Non-interest income</b>	<b>4,540</b>	<b>3,811</b>	<b>19</b>	<b>1,312</b>	<b>830</b>	<b>58</b>	<b>1,055</b>	<b>24</b>
<b>Total income</b>	<b>10,871</b>	<b>9,701</b>	<b>12</b>	<b>2,922</b>	<b>2,350</b>	<b>24</b>	<b>2,655</b>	<b>10</b>
Staff costs	(2,840)	(2,606)	9	(764)	(660)	16	(686)	11
Other operating expenses	(1,804)	(1,608)	12	(502)	(418)	20	(446)	12
<b>Total operating expenses</b>	<b>(4,644)</b>	<b>(4,214)</b>	<b>10</b>	<b>(1,266)</b>	<b>(1,078)</b>	<b>17</b>	<b>(1,132)</b>	<b>12</b>
<b>Operating profit before allowances and amortisation</b>	<b>6,227</b>	<b>5,487</b>	<b>13</b>	<b>1,656</b>	<b>1,272</b>	<b>30</b>	<b>1,523</b>	<b>9</b>
Amortisation of intangible assets	(103)	(102)	1	(26)	(26)	–	(26)	(1)
Allowances for loans and other assets	(890)	(288)	210	(207)	(205)	2	(323)	(36)
<b>Operating profit after allowances and amortisation</b>	<b>5,234</b>	<b>5,097</b>	<b>3</b>	<b>1,423</b>	<b>1,041</b>	<b>37</b>	<b>1,174</b>	<b>21</b>
Share of results of associates, net of tax	566	455	24	94	85	13	156	(39)
<b>Profit before income tax</b>	<b>5,800</b>	<b>5,552</b>	<b>4</b>	<b>1,517</b>	<b>1,126</b>	<b>35</b>	<b>1,330</b>	<b>14</b>
Income tax expense	(778)	(877)	(11)	(220)	(171)	29	(139)	58
<b>Profit for the period</b>	<b>5,022</b>	<b>4,675</b>	<b>7</b>	<b>1,297</b>	<b>955</b>	<b>36</b>	<b>1,191</b>	<b>9</b>
<b>Profit attributable to:</b>								
Equity holders of the Bank	4,869	4,492	8	1,243	926	34	1,172	6
Non-controlling interests	153	183	(17)	54	29	86	19	192
	<b>5,022</b>	<b>4,675</b>	<b>7</b>	<b>1,297</b>	<b>955</b>	<b>36</b>	<b>1,191</b>	<b>9</b>
<b>Earnings per share <sup>2/</sup></b>								
<b>(for the period – cents)</b>								
Basic	111.7	106.4		28.2	21.8		26.5	
Diluted	111.6	106.2		28.2	21.7		26.4	

Notes:

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

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

S\$ million	2019	2018	+/(-)@ %	4Q19@	4Q18@	+/(-)@ %	3Q19@	+/(-)@ %
<b>Profit for the year/period</b>	<b>5,022</b>	4,675	7	<b>1,297</b>	955	36	1,191	9
<b>Other comprehensive income:</b>								
Items that may be reclassified subsequently to income statement:								
Financial assets, at FVOCI <sup>1/</sup>								
Fair value gains/(losses) for the year/period	<b>983</b>	(288)	441	<b>65</b>	71	(9)	280	(77)
Reclassification of (gains)/losses to income statement								
– on disposal	<b>(295)</b>	(12)	nm	<b>(42)</b>	(1)	nm	(142)	71
– on impairment	<b>(5)</b>	(26)	81	<b>1</b>	2	(56)	(3)	126
Tax on net movements	<b>(99)</b>	46	(315)	<b>(2)</b>	(10)	78	(23)	91
Cash flow hedges	<b>(1)</b>	1	(258)	<b>(0)</b>	2	(110)	2	(107)
Currency translation on foreign operations	<b>(43)</b>	(134)	68	<b>(114)</b>	16	(834)	105	(208)
Other comprehensive income of associates	<b>(12)</b>	16	(178)	<b>15</b>	54	(71)	(24)	164
Items that will not be reclassified subsequently to income statement:								
Financial assets, at FVOCI <sup>1/</sup> , net change in fair value	<b>316</b>	(264)	219	<b>141</b>	(254)	156	(82)	271
Defined benefit plans remeasurements	<b>(1)</b>	6	(112)	<b>(1)</b>	6	(119)	0	(849)
Own credit	<b>1</b>	(6)	114	<b>(0)</b>	(6)	99	(0)	89
<b>Total other comprehensive income, net of tax</b>	<b>844</b>	(661)	228	<b>63</b>	(120)	152	113	(45)
<b>Total comprehensive income for the year/period, net of tax</b>	<b>5,866</b>	4,014	46	<b>1,360</b>	835	63	1,304	4
<b>Total comprehensive income attributable to:</b>								
Equity holders of the Bank	<b>5,646</b>	3,911	44	<b>1,297</b>	819	58	1,278	2
Non-controlling interests	<b>220</b>	103	113	<b>63</b>	16	303	26	142
	<b>5,866</b>	4,014	46	<b>1,360</b>	835	63	1,304	4

Notes:

1. Fair value through other comprehensive income.
2. “@” represents unaudited.

## AUDITED BALANCE SHEETS

	GROUP			BANK		
S\$ million	31 Dec 2019	31 Dec 2018	30 Sep 2019 <sup>@</sup>	31 Dec 2019	31 Dec 2018	30 Sep 2019 <sup>@</sup>
<b>EQUITY</b>						
<b>Attributable to equity holders of the Bank</b>						
Share capital	17,261	15,750	17,288	17,261	15,750	17,288
Other equity instruments	1,497	1,497	1,497	1,497	1,497	1,497
Capital reserves	1,253	930	1,257	986	639	991
Fair value reserves	919	(66)	725	114	(81)	64
Revenue reserves	26,232	24,026	25,131	14,142	13,491	13,477
	47,162	42,137	45,898	34,000	31,296	33,317
<b>Non-controlling interests</b>	1,441	1,255	1,381	–	–	–
<b>Total equity</b>	48,603	43,392	47,279	34,000	31,296	33,317
<b>LIABILITIES</b>						
Deposits of non-bank customers	302,851	295,412	299,706	189,420	183,600	186,163
Deposits and balances of banks	8,250	7,576	11,513	5,938	6,350	8,277
Due to subsidiaries	–	–	–	21,435	20,938	24,263
Due to associates	347	366	376	138	142	140
Trading portfolio liabilities	92	214	360	92	214	360
Derivative payables	7,687	7,105	9,164	6,743	5,252	7,688
Other liabilities	6,945	5,813	7,233	2,086	1,825	2,405
Current tax payables	1,189	1,014	957	435	367	322
Deferred tax liabilities	1,893	1,451	1,821	238	181	227
Debt issued	29,388	30,272	22,691	28,226	28,812	21,462
	358,642	349,223	353,821	254,751	247,681	251,307
Life insurance fund liabilities	84,446	74,928	82,400	–	–	–
<b>Total liabilities</b>	443,088	424,151	436,221	254,751	247,681	251,307
<b>Total equity and liabilities</b>	491,691	467,543	483,500	288,751	278,977	284,624
<b>ASSETS</b>						
Cash and placements with central banks	23,201	18,748	16,313	17,824	13,740	12,793
Singapore government treasury bills and securities	11,042	9,611	11,690	9,892	8,973	10,404
Other government treasury bills and securities	17,620	18,165	19,478	7,644	8,259	8,283
Placements with and loans to banks	35,813	39,035	35,572	28,056	29,064	26,385
Loans and bills receivable	262,045	255,193	260,214	164,564	156,897	162,277
Debt and equity securities	28,533	25,542	26,386	14,210	11,973	12,666
Assets pledged	1,166	1,105	2,805	122	1,007	1,610
Assets held for sale	3	2	18	2	–	18
Derivative receivables	7,349	7,201	8,946	6,324	5,331	7,495
Other assets	4,409	3,475	4,628	2,442	1,657	2,587
Deferred tax assets	87	106	91	21	28	22
Associates	3,638	3,183	3,516	1,460	1,387	1,439
Subsidiaries	–	–	–	33,159	37,692	35,638
Property, plant and equipment	3,628	3,337	3,588	684	577	657
Investment property	839	880	829	480	525	483
Goodwill and intangible assets	4,980	5,093	5,047	1,867	1,867	1,867
	404,353	390,676	399,121	288,751	278,977	284,624
Life insurance fund investment assets	87,338	76,867	84,379	–	–	–
<b>Total assets</b>	491,691	467,543	483,500	288,751	278,977	284,624
<b>Net asset value (before valuation surplus) per ordinary share – S\$<sup>@</sup></b>	10.38	9.56	10.08	7.38	7.01	7.22
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities	13,944	11,964	12,173	10,440	8,565	8,860
Commitments	156,293	143,783	157,321	95,338	85,665	93,085
Derivative financial instruments	984,036	1,040,759	1,026,084	780,979	867,445	824,746

Note:

1. “@” represents unaudited.



## AUDITED STATEMENT OF CHANGES IN EQUITY – GROUP

For the financial year ended 31 December 2019

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2019</b>	<b>17,247</b>	<b>930</b>	<b>(66)</b>	<b>24,026</b>	<b>42,137</b>	<b>1,255</b>	<b>43,392</b>
Total comprehensive income for the year	–	–	985	4,661	5,646	220	5,866
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	8	337	–	(345)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	2	2
Buy-back of shares held as treasury shares	(192)	–	–	–	(192)	–	(192)
Dividends and distributions	–	–	–	(602)	(602)	(34)	(636)
DSP reserve from dividends on unvested shares	–	–	–	8	8	–	8
Share-based payments for staff costs	–	15	–	–	15	–	15
Shares issued in lieu of ordinary dividends	1,515	–	–	(1,515)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(8)	–	–	(8)	–	(8)
Shares vested under DSP Scheme	–	70	–	–	70	–	70
Treasury shares transferred/sold	179	(91)	–	–	88	–	88
<b>Total contributions by and distributions to owners</b>	<b>1,511</b>	<b>323</b>	<b>–</b>	<b>(2,454)</b>	<b>(620)</b>	<b>(32)</b>	<b>(652)</b>
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1)	(1)	(2)	(3)
<b>Total changes in interests in subsidiaries</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
<b>Balance at 31 December 2019</b>	<b>18,758</b>	<b>1,253</b>	<b>919</b>	<b>26,232</b>	<b>47,162</b>	<b>1,441</b>	<b>48,603</b>
Included in the balances:							
Share of reserves of associates	–	–	91	1,561	1,652	–	1,652
<b>Balance at 1 January 2018</b>	<b>15,635</b>	<b>715</b>	<b>251</b>	<b>22,667</b>	<b>39,268</b>	<b>2,765</b>	<b>42,033</b>
Total comprehensive income for the year	–	–	(338)	4,249	3,911	103	4,014
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	14	208	–	(222)	–	–	–
Buy-back of shares held as treasury shares	(215)	–	–	–	(215)	–	(215)
Dividends and distribution	–	–	–	(1,015)	(1,015)	(116)	(1,131)
DSP reserve from dividends on unvested shares	–	–	–	7	7	–	7
Others	–	–	21	(25)	(4)	3	(1)
Perpetual capital securities issued	998	–	–	–	998	–	998
Redemption of preference shares issued	–	–	–	(1,000)	(1,000)	(1,500)	(2,500)
Share-based payments for staff costs	–	20	–	–	20	–	20
Shares issued in lieu of ordinary dividends	638	–	–	(638)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(6)	–	–	(6)	–	(6)
Shares vested under DSP Scheme	–	63	–	–	63	–	63
Treasury shares transferred/sold	176	(70)	–	–	106	–	106
<b>Total contributions by and distributions to owners</b>	<b>1,612</b>	<b>215</b>	<b>21</b>	<b>(2,893)</b>	<b>(1,045)</b>	<b>(1,613)</b>	<b>(2,658)</b>
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	3	3	(0)	3
<b>Total changes in interests in subsidiaries</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>(0)</b>	<b>3</b>
<b>Balance at 31 December 2018</b>	<b>17,247</b>	<b>930</b>	<b>(66)</b>	<b>24,026</b>	<b>42,137</b>	<b>1,255</b>	<b>43,392</b>
Included in the balances:							
Share of reserves of associates	–	–	25	1,167	1,192	–	1,192

## STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the three months ended 31 December 2019

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 October 2019</b>	<b>18,785</b>	<b>1,257</b>	<b>725</b>	<b>25,131</b>	<b>45,898</b>	<b>1,381</b>	<b>47,279</b>
Total comprehensive income for the period	–	–	194	1,103	1,297	63	1,360
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	8	(3)	–	(5)	–	–	–
Acquisition of subsidiary	–	–	–	–	–	(1)	(1)
Buy-back of shares held as treasury shares	(41)	–	–	–	(41)	–	(41)
DSP reserve from dividends on unvested shares	–	–	–	4	4	–	4
Share-based payments for staff costs	–	3	–	–	3	–	3
Shares issued in lieu of ordinary dividends	(1)	–	–	–	(1)	–	(1)
Shares transferred to DSP Trust	–	(4)	–	–	(4)	–	(4)
Shares vested under DSP Scheme	–	0	–	–	0	–	0
Treasury shares transferred/sold	7	(0)	–	–	7	–	7
Total contributions by and distributions to owners	(27)	(4)	–	(1)	(32)	(1)	(33)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1)	(1)	(2)	(3)
Total changes in interests in subsidiaries	–	–	–	(1)	(1)	(2)	(3)
<b>Balance at 31 December 2019</b>	<b>18,758</b>	<b>1,253</b>	<b>919</b>	<b>26,232</b>	<b>47,162</b>	<b>1,441</b>	<b>48,603</b>
Included in the balances:							
Share of reserves of associates	–	–	91	1,561	1,652	–	1,652
<b>Balance at 1 October 2018</b>	<b>17,258</b>	<b>875</b>	<b>19</b>	<b>23,183</b>	<b>41,335</b>	<b>1,240</b>	<b>42,575</b>
Total comprehensive income for the period	–	–	(85)	904	819	16	835
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	14	52	–	(66)	–	–	–
Buy-back of shares held as treasury shares	(26)	–	–	–	(26)	–	(26)
DSP reserve from dividends on unvested shares	–	–	–	4	4	–	4
Share-based payments for staff costs	–	5	–	–	5	–	5
Shares issued in lieu of ordinary dividends	(1)	–	–	–	(1)	–	(1)
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	1	–	–	1	–	1
Treasury shares transferred/sold	2	–	–	–	2	–	2
Total contributions by and distributions to owners	(11)	55	–	(62)	(18)	–	(18)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	1	1	(1)	(0)
Total changes in interests in subsidiaries	–	–	–	1	1	(1)	(0)
<b>Balance at 31 December 2018</b>	<b>17,247</b>	<b>930</b>	<b>(66)</b>	<b>24,026</b>	<b>42,137</b>	<b>1,255</b>	<b>43,392</b>
Included in the balances:							
Share of reserves of associates	–	–	25	1,167	1,192	–	1,192

## AUDITED STATEMENT OF CHANGES IN EQUITY – BANK

For the financial year ended 31 December 2019

S\$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
<b>Balance at 1 January 2019</b>	<b>17,247</b>	<b>639</b>	<b>(81)</b>	<b>13,491</b>	<b>31,296</b>
Total comprehensive income for the year	–	–	195	3,100	3,295
Transfers	8	332	–	(340)	–
Buy-back of shares held as treasury shares	(192)	–	–	–	(192)
Dividends and distributions	–	–	–	(602)	(602)
DSP reserve from dividends on unvested shares	–	–	–	8	8
Share-based payments for staff costs	–	15	–	–	15
Shares issued in lieu of ordinary dividends	1,515	–	–	(1,515)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	179	–	–	–	179
<b>Balance at 31 December 2019</b>	<b>18,758</b>	<b>986</b>	<b>114</b>	<b>14,142</b>	<b>34,000</b>
<b>Balance at 1 January 2018</b>	<b>15,635</b>	<b>221</b>	<b>40</b>	<b>12,903</b>	<b>28,799</b>
Total comprehensive income for the year	–	–	(121)	3,646	3,525
Transfers	14	398	–	(412)	–
Buy-back of shares held as treasury shares	(215)	–	–	–	(215)
Dividends and distribution	–	–	–	(1,015)	(1,015)
DSP reserve from dividends on unvested shares	–	–	–	7	7
Perpetual capital securities issued	998	–	–	–	998
Redemption of preference shares issued	–	–	–	(1,000)	(1,000)
Share-based payments for staff costs	–	20	–	–	20
Shares issued in lieu of ordinary dividends	638	–	–	(638)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	176	–	–	–	176
<b>Balance at 31 December 2018</b>	<b>17,247</b>	<b>639</b>	<b>(81)</b>	<b>13,491</b>	<b>31,296</b>

For the three months ended 31 December 2019 (Unaudited)

S\$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
<b>Balance at 1 October 2019</b>	<b>18,785</b>	<b>991</b>	<b>64</b>	<b>13,477</b>	<b>33,317</b>
Total comprehensive income for the period	–	–	50	661	711
Transfers	8	(8)	–	0	–
Buy-back of shares held as treasury shares	(41)	–	–	–	(41)
DSP reserve from dividends on unvested shares	–	–	–	4	4
Share-based payments for staff costs	–	3	–	–	3
Shares issued in lieu of ordinary dividends	(1)	–	–	–	(1)
Treasury shares transferred/sold	7	–	–	–	7
<b>Balance at 31 December 2019</b>	<b>18,758</b>	<b>986</b>	<b>114</b>	<b>14,142</b>	<b>34,000</b>
<b>Balance at 1 October 2018</b>	<b>17,258</b>	<b>587</b>	<b>(70)</b>	<b>12,630</b>	<b>30,405</b>
Total comprehensive income for the period	–	–	(11)	918	907
Transfers	14	47	–	(61)	–
Buy-back of shares held as treasury shares	(26)	–	–	–	(26)
DSP reserve from dividends on unvested shares	–	–	–	4	4
Share-based payments for staff costs	–	5	–	–	5
Shares issued in lieu of ordinary dividends	(1)	–	–	–	(1)
Treasury shares transferred/sold	2	–	–	–	2
<b>Balance at 31 December 2018</b>	<b>17,247</b>	<b>639</b>	<b>(81)</b>	<b>13,491</b>	<b>31,296</b>

## AUDITED CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

S\$ million	2019	2018	4Q19@	4Q18@
<b>Cash flows from operating activities</b>				
Profit before income tax	5,800	5,552	1,517	1,126
Adjustments for non-cash items:				
Allowances for loans and other assets	890	288	207	205
Amortisation of intangible assets	103	102	26	26
Change in hedging transactions, fair value through profit or loss securities and debt issued	(226)	392	(156)	144
Depreciation of property and equipment and interest expense on lease liabilities	402	317	105	80
Net gain on disposal of government, debt and equity securities	(171)	(16)	(35)	(2)
Net gain on disposal of property and equipment	(82)	(46)	(33)	(6)
Net (gain)/loss on disposal of interests in subsidiaries and associate	(1)	(8)	0	(3)
Share-based costs	69	65	17	18
Share of results of associates, net of tax	(566)	(455)	(94)	(85)
Items relating to life insurance fund				
Surplus before income tax	854	791	280	217
Surplus transferred from life insurance fund	(779)	(740)	(254)	(199)
Operating profit before change in operating assets and liabilities	6,293	6,242	1,580	1,521
Change in operating assets and liabilities:				
Deposits of non-bank customers	7,420	11,916	3,116	8,787
Deposits and balances of banks	673	91	(3,264)	(1,565)
Derivative payables and other liabilities	1,066	453	(2,163)	(2,090)
Trading portfolio liabilities	(122)	(408)	(268)	(139)
Government securities and treasury bills	(742)	(345)	2,851	(1,377)
Restricted balances with central banks	222	395	88	(124)
Fair value through profit or loss securities	(487)	587	(541)	253
Placements with and loans to banks	3,296	10,412	163	(826)
Loans and bills receivable	(7,743)	(20,807)	(2,107)	(1,420)
Derivative receivables and other assets	(1,402)	(1,161)	1,844	1,124
Net change in investment assets and liabilities of life insurance fund	464	449	(447)	466
Cash provided by operating activities	8,938	7,824	852	4,610
Income tax paid	(754)	(1,085)	(52)	(404)
<b>Net cash provided by operating activities</b>	<b>8,184</b>	<b>6,739</b>	<b>800</b>	<b>4,206</b>
<b>Cash flows from investing activities</b>				
Acquisitions, net of cash acquired	16	—	2	—
Dividends from associates	23	88	8	7
Investments in associates	—	(88)	—	(26)
Purchases of debt and equity securities	(14,878)	(13,971)	(2,677)	(2,214)
Purchases of property and equipment	(368)	(297)	(119)	(101)
Proceeds from disposal of debt and equity securities	13,316	11,941	2,212	2,844
Proceeds from disposal of interests in associates	—	9	—	1
Proceeds from disposal of property and equipment	127	60	51	8
<b>Net cash (used in)/provided by investing activities</b>	<b>(1,764)</b>	<b>(2,258)</b>	<b>(523)</b>	<b>519</b>
<b>Cash flows from financing activities</b>				
Acquisition of non-controlling interests	(3)	(0)	(3)	(0)
Buy-back of shares held as treasury shares	(192)	(215)	(41)	(26)
Dividends and distributions paid	(636)	(1,135)	(253)	(200)
Net issuance/(redemption) of other debt issued	696	(634)	8,466	(1,875)
Net proceeds from perpetual capital securities issued	—	998	—	—
Payment of lease liabilities	(81)	—	(24)	—
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	88	106	7	2
Redemption of preference shares issued	—	(2,500)	—	—
Redemption of subordinated debt issued	(1,504)	(1,314)	(1,373)	—
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,632)</b>	<b>(4,694)</b>	<b>6,779</b>	<b>(2,099)</b>
<b>Net currency translation adjustments</b>	<b>(114)</b>	<b>(236)</b>	<b>(79)</b>	<b>18</b>
<b>Net change in cash and cash equivalents</b>	<b>4,674</b>	<b>(449)</b>	<b>6,977</b>	<b>2,644</b>
<b>Cash and cash equivalents at beginning of year/period</b>	<b>13,386</b>	<b>13,835</b>	<b>11,083</b>	<b>10,742</b>
<b>Cash and cash equivalents at end of year/period</b>	<b>18,060</b>	<b>13,386</b>	<b>18,060</b>	<b>13,386</b>

Note:

1. @ represents unaudited.

## SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

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

Number of Shares	Financial year ended 31 Dec		Three months ended 31 Dec	
	2019	2018	2019	2018
<b>Issued ordinary shares</b>				
Balance at beginning of year/period	<b>4,256,770,207</b>	4,193,784,461	<b>4,322,181,049</b>	4,193,837,129
Shares issued to non-executive directors	<b>54,000</b>	52,668	–	–
Shares issued pursuant to Scrip Dividend Scheme	<b>151,770,188</b>	62,933,078	<b>86,413,346</b>	62,933,078
Balance at end of year/period	<b>4,408,594,395</b>	4,256,770,207	<b>4,408,594,395</b>	4,256,770,207
<b>Treasury shares</b>				
Balance at beginning of year/period	<b>(6,738,940)</b>	(7,070,767)	<b>(4,504,625)</b>	(4,655,504)
Share buyback	<b>(17,130,000)</b>	(17,225,000)	<b>(3,750,000)</b>	(2,300,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	<b>3,127,289</b>	4,552,500	<b>648,800</b>	136,531
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	<b>5,635,288</b>	7,635,418	<b>2,342</b>	80,033
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	<b>7,522,678</b>	5,321,926	<b>19,798</b>	–
Shares sold for cash	–	46,983	–	–
Balance at end of year/period	<b>(7,583,685)</b>	(6,738,940)	<b>(7,583,685)</b>	(6,738,940)
<b>Total</b>	<b>4,401,010,710</b>	4,250,031,267	<b>4,401,010,710</b>	4,250,031,267

Pursuant to the share purchase mandate approved at the annual general meeting held on 29 April 2019, the Bank purchased a total of 3,750,000 ordinary shares in the fourth quarter ended 31 December 2019. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S\$10.58 to S\$11.19 per share and the total consideration paid was S\$40,896,489 (including transaction costs).

From 1 October 2019 to 31 December 2019 (both dates inclusive), the Bank utilised 648,800 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 (“SOS 2001”). As at 31 December 2019, the number of options outstanding under the OCBC SOS 2001 was 35,153,735 (31 December 2018: 38,622,528).

From 1 October 2019 to 31 December 2019 (both dates inclusive), the Bank utilised 2,342 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan (“ESPP”). As at 31 December 2019, the number of acquisition rights outstanding under the OCBC ESPP was 14,324,982 (31 December 2018: 13,371,082).

From 1 October 2019 to 31 December 2019 (both dates inclusive), the Bank transferred 19,798 treasury shares to the Trust administering the OCBC Deferred Share Plan following the Bank’s award of deferred shares to employees of the Group.

86,413,346 ordinary shares were issued on 3 October 2019 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the interim one-tier tax exempt dividend of 25 cents per ordinary share in the capital of OCBC Bank for the financial year ending 31 December 2019.

No new preference shares were allotted and issued by the Bank in the fourth quarter ended 31 December 2019.

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## **OTHER MATTERS**

1. The Bank has not obtained a general mandate from shareholders for Interested Party Transactions pursuant to Rule 920(1) of the Listing Manual.
2. Pursuant to Rule 704(13) of the Listing Manual, for the financial year ended 31 December 2019, there was no person occupying managerial position in the Bank or in any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Bank.
3. The Bank has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual pursuant to Rule 720(1) of the Listing Manual.



The extract of the auditors' report dated 20 February 2020, on the financial statements of Oversea-Chinese Banking Corporation Limited and its subsidiaries for the year ended 31 December 2019, is as follows:



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## **Independent auditors' report**

To The Members of Oversea-Chinese Banking Corporation Limited

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of Oversea-Chinese Banking Corporation Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Bank as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 16 to 156.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Bank for the year ended on that date.

#### *Basis for opinion*

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



### Key audit matters

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

Impairment of loans and bills receivable (Refer to Notes 9, 26, 28 and 30 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019, the Group's loans and bills receivable comprised 54% of Total Assets.</p> <p>The Group has developed quantitative models to determine the expected credit loss (ECL) allowances for credit exposures, in accordance with the requirements of SFRS(I) 9 "Financial Instruments". Significant judgement is applied in developing the models and in determining the relevant model inputs and applicable assumptions.</p> <p>In respect of non-credit impaired exposures, management judgement and estimation are required in areas including:</p> <ul style="list-style-type: none"> <li>development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio across different locations;</li> <li>selection of criteria to assess whether a credit exposure has exhibited a "significant increase in credit risk" and thus requiring lifetime ECL allowance; and</li> <li>determination of relevant macroeconomic factors to incorporate into the models and the probability weighting to apply to a range of possible scenarios.</li> </ul> <p>In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others:</p> <ol style="list-style-type: none"> <li>identifying impaired exposures;</li> <li>estimating the related recoverable cash flows; and</li> <li>where applicable, determining collateral values and timing of realisation.</li> </ol>	<p><i>Non-credit impaired exposures</i></p> <p>We tested the design, implementation and operating effectiveness of key controls around the determination of ECL allowances. These controls include:</p> <ul style="list-style-type: none"> <li>general IT controls over the ECL system, comprising user access rights and change management controls, as well as IT application controls over the completeness and accuracy of data flows from source systems to the ECL system;</li> <li>the existence of an independent model validation function; and</li> <li>the effective monitoring of the macroeconomic variables used in the models and, the review and approval of scenarios and probabilities.</li> </ul> <p>For a sample of models, we involved our valuation specialists in the:</p> <ul style="list-style-type: none"> <li>evaluation of the appropriateness of the PD, LGD and EAD modelling methodology against the requirements of SFRS(I) 9;</li> <li>review of results of the model performance testing and model validation conducted by the Group's model validation function;</li> <li>performance of statistical techniques on PD curves to assess the reasonableness of the calibrations; and</li> <li>in respect of forward looking assumptions, review of the appropriateness of management's macroeconomic forecast assumptions against external sources.</li> </ul>





Geopolitical developments and weak global economic growth in 2019 added complexity to the estimation of ECL allowances. The consequence of these events are difficult to predict and the impact is therefore difficult to model.

Given the significance of loans and bills receivable and the related estimation uncertainty over ECL allowances, the impairment of loans and bills receivable is considered a key audit matter.

We assessed the reasonableness of the criteria used in determining a “significant increase in credit risk”. We also assessed the reasonableness of the probability weighting of the economic scenarios applied.

For a sample of credit exposures, we independently re-calculated the ECL allowance to test the mathematical accuracy of the ECL system output.

*Credit-impaired exposures*

We tested the design, implementation and operating effectiveness of key controls in place over credit grading, credit reviews and monitoring of credit-impaired exposures.

In relation to key economic and geopolitical developments, we assessed the Group’s response in identifying credit-impaired exposures.

For a sample of exposures, we performed credit file reviews to assess the appropriateness of credit grading. We also challenged the Group’s assumptions of the expected future cash inflows of the borrowers, including cash flows from operations, the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and other externally derived evidence.

We found that the ECL allowances were within an acceptable range of estimates.



Valuation of financial instruments held at fair value (Refer to Notes 18, 22, 24, 25, 29 and 41 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's financial instruments held at fair value comprised mainly debt and equity securities, government treasury bills and securities, investment funds and derivative contracts.</p> <p>Of the financial instruments carried at fair value in the Group's balance sheet as at 31 December 2019, the significant majority is classified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in financial markets or estimated based on financial models using market observable inputs, resulting in a lower valuation risk.</p> <p>The remaining financial instruments classified as Level 3 comprised mainly unlisted debt and equity investments and derivatives. The valuation of these Level 3 instruments could involve complex valuation techniques and the application of unobservable inputs, such as projected cash flows, discount rates and measures of volatility. As such, there is a greater degree of estimation uncertainty in the determination of the fair value of these instruments.</p> <p>The valuation of financial instruments held at fair value is considered a key audit matter in view of the degree of management judgement and inherent subjectivity, increasing the risk of misstatement of the Group's financial statements.</p>	<p>We obtained an understanding of the key controls over the measurement of financial instruments at their fair values. We tested the operating effectiveness of the following key controls:</p> <ul style="list-style-type: none"> <li>• general IT controls over key valuation systems, including access rights and change management controls;</li> <li>• specific IT application controls over the capture of complete and accurate external market data within the Group's valuation systems and, the interface between transaction processing systems, valuation systems and financial reporting systems;</li> <li>• controls over governance of valuation models, including model validation; and</li> <li>• controls over independent price verification and month-end valuation adjustments.</li> </ul> <p>For a sample of valuation models, we assessed the reasonableness of the valuation methodology, and the inputs and assumptions used. We also considered alternative valuation methods and assessed sensitivities to key factors.</p> <p>For a selection of pricing inputs, we checked that the inputs used were appropriately sourced (by comparing to independent market data) and accurately input into the valuation models and systems.</p> <p>We independently valued a sample of the Group's financial instruments held at fair value and compared the values to the Group's valuations. Additionally, we recalculated a sample of valuation adjustments as at year-end.</p> <p>For the financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were appropriate.</p> <p>We found that the fair values of the Group's financial instruments were within an acceptable range of estimates.</p>



Valuation of insurance contract liabilities  
(Refer to Notes 4, 22, 39 and 41 to the financial statements)

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's insurance operations are conducted through Great Eastern Holdings Limited and its subsidiaries (GEH).</p> <p>GEH's insurance operations comprise life and general insurance contracts. The valuation of insurance contract liabilities involves significant judgement over uncertain future outcomes, including the timing and occurrence of the ultimate settlement of insurance contract liabilities.</p> <p>The valuation of life insurance contract liabilities is dependent on the valuation method adopted and key assumptions such as prevailing interest rates of government securities, investment returns and estimates of mortality, disability, persistency, dread disease, expenses, lapse and surrenders based on GEH's historical experience studies and publicly available data.</p> <p>The valuation of general insurance contract liabilities is dependent on estimates such as the provision for unexpired risk, ultimate settlement cost of claims reported, and claims incurred but not yet reported at the reporting date.</p> <p>Given that changes in the assumptions used in the valuation of insurance contract liabilities could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement, the valuation of insurance contract liabilities is considered a key audit matter.</p>	<p>We planned, scoped and issued group audit instructions to GEH's auditors to obtain an independent auditors' report of the significant component. The scope of reporting included valuation of insurance contract liabilities.</p> <p>We reviewed GEH's auditors' work performed in relation to the design and operating effectiveness of GEH's controls over the valuation of insurance contract liabilities, including the determination and approval of actuarial assumptions.</p> <p>We involved our actuarial specialists in our discussions with GEH's auditors in the following areas:</p> <ul style="list-style-type: none"> <li>assessed that GEH's auditors challenged management's methodologies and assumptions used in the valuation of insurance contract liabilities and where applicable, benchmarked the assumptions to other similar insurers;</li> <li>assessed that GEH's auditors reviewed the assumptions used by management against historical experiences; and</li> <li>reviewed the appropriateness of the actuarial valuation methodologies, models and assumptions used against regulatory requirements and industry practices.</li> </ul> <p>We found that the valuation methods and assumptions used by the Group in the valuation of insurance contract liabilities were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.</p>





Impairment of goodwill (Refer to Note 37 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019, the Group's balance sheet included goodwill of \$4.5 billion arising from a number of business combinations. Goodwill is impaired if its carrying amount is not supported by the recoverable amount of the respective cash generating units (CGUs). The recoverable amounts are determined based on estimates that require significant management judgement in the application of methodologies and assumptions.</p> <p>The recoverable amount of banking CGUs was determined based on the value-in-use method. In this respect, significant judgement and key assumptions include:</p> <ul style="list-style-type: none"> <li>• methodology and inputs used to determine the appropriate discount rate;</li> <li>• estimation of the terminal growth rate; and</li> <li>• projections of the future cash flows.</li> </ul> <p>In respect of the insurance CGU, the recoverable amount was estimated using the appraisal value method, based on the adjusted shareholders' funds and the expected future profits generated by the portfolio of the business in force at the valuation date and the capacity to generate future profitable new business. Significant assumptions used in the assessment of these values include:</p> <ul style="list-style-type: none"> <li>• risk-adjusted discount rates; and</li> <li>• investment return rates.</li> </ul> <p>As a result of the significance of the goodwill amount and the judgement and subjectivity involved in estimating the recoverable amounts, the impairment of goodwill is considered a key audit matter.</p>	<p>We assessed the appropriateness of management's identification of the Group's CGUs and whether it reflects our understanding of the business and its operations.</p> <p><i>Banking CGUs</i></p> <p>We assessed management's future cash flow forecasts for consistency with operating plans, taking into consideration the economic outlook of the respective geography. We also back-tested prior year's forecast against actual performance.</p> <p>We involved our valuation specialists to assess the methodologies applied and assumptions used for deriving:</p> <ul style="list-style-type: none"> <li>• discount rate by independently estimating the rate using external data sources for risk free rate, beta, market risk premium, country risk premium and small capitalisation premium; and</li> <li>• terminal growth rate by comparing the rate to market data and long-term inflation rate based on the CGU's country of operation.</li> </ul> <p>We performed sensitivity analysis on the cash flow forecasts, discount rates and terminal growth rates.</p> <p><i>Insurance CGU</i></p> <p>We involved our actuarial specialists to assess the reasonableness of management's significant assumptions including discount rates and investment return rates used in the estimation of appraisal value.</p> <p>We performed sensitivity analysis on the impact of changes in key assumptions on the appraisal value.</p> <p>Based on the procedures performed, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.</p>



*Other information*

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

We have obtained all other information prior to the date of this auditors' report except for the information captioned Message from Chairman and CEO, Our Year in Review, Sustainability Report, Corporate Governance, Management Discussion and Analysis, Shareholding Statistics, and Five-Year Ordinary Share Capital History (the Reports), which are expected to be made available to us after that date.

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

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

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

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

*Responsibilities of management and directors for the financial statements*

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

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

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



*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





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

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

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

#### **Report on other legal and regulatory requirements**

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

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

A handwritten signature in blue ink, appearing to read 'Leong KK', located above the printed name of the engagement partner.

**KPMG LLP**  
*Public Accountants and*  
*Chartered Accountants*

**Singapore**  
20 February 2020