

Media Release

OCBC Group Reported Second Quarter 2017 Net Profit of S\$1.08 billion

Second quarter earnings grew 22% year-on-year and 11% from the previous quarter

Half year net profit up 18% year-on-year to S\$2.06 billion

Singapore, 27 July 2017 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$1.08 billion for the second quarter of 2017 (“2Q17”), an increase of 22% from S\$885 million (“2Q16”) a year ago, and 11% above S\$973 million in the previous quarter (“1Q17”). The Group’s banking, wealth management and insurance operations delivered a strong year-on-year performance, driven by growth in net interest income, fees and commissions, net trading income and profit from life assurance.

Net interest income rose 7% to S\$1.35 billion in 2Q17 from S\$1.26 billion a year ago, largely driven by strong lending growth across the Group’s corporate and consumer businesses. Customer loans growth was broad-based and rose 11% from the previous year. Net interest margin (“NIM”) for the quarter was 1.65%, as compared to 1.68% a year ago and up from 1.62% the previous quarter. The 3 basis points year-on-year decline in NIM was mainly from a fall in loan yields, partly offset by higher gapping income and a drop in funding costs.

Non-interest income rose 34% to S\$1.05 billion from S\$788 million a year ago. Fees and commissions climbed 18% to S\$492 million from higher income associated with loan and trade-related activities, wealth and fund management, credit card and brokerage. In particular, wealth management fee income rose 45% year-on-year, partly attributable to the inclusion of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong (“Barclays WIM”) acquired in November 2016. Net trading income, comprising predominantly treasury-related income from customer flows, grew 14% year-on-year to S\$140 million, while net realised gains from the sale of investment securities was 23% higher at S\$54 million. Profit from life assurance was significantly higher at S\$240 million, as compared with S\$108 million in the preceding year, driven by higher operating profit and positive performance from Great Eastern Holdings’ (“GEH”) investment portfolio as a result of narrowing of credit spreads and gains from favourable interest rate movements. Total weighted new sales and new business embedded value at GEH increased 6% and 17% year-on-year respectively, reflecting strong underlying business growth.

The Group’s share of results of associates also rose 17% to S\$119 million from S\$103 million in 2Q16.

Operating expenses for the quarter were up 6% at S\$992 million from S\$932 million a year ago, partly attributable to an increase in staff costs associated with the inclusion of Barclays WIM. The cost-to-income ratio improved to 41.4% from 45.5% in 2Q16. Allowances for loans and other assets were S\$169 million, higher as compared to S\$88 million a year ago, but flat on a quarter-on-quarter basis.

Against the previous quarter, the Group's net profit after tax grew 11%. Net interest income increased 6%, underpinned by 3% growth in average assets and a 3 basis points improvement in net interest margin from higher gapping income and an increase in the average loans-to-deposits ratio ("LDR"). Non-interest income rose 8% mainly from higher fee income and profit from life assurance. Operating expenses were well-controlled, rising 2% against 1Q17. Net allowances for loans and other assets were relatively unchanged from the previous quarter.

First Half Performance

Net profit after tax for the first half of 2017 ("1H17") of S\$2.06 billion was 18% above S\$1.74 billion a year ago ("1H16").

Net interest income rose 2% to S\$2.62 billion, as average asset volumes grew 7%, more than offsetting a 7 basis points decline in net interest margin. Non-interest income of S\$2.03 billion was up 32% year-on-year. Fee and commission income increased 23% to S\$973 million, led by higher income generated from wealth management, fund management and investment banking activities. Net trading income grew 22% to S\$298 million, attributable to an increase in customer flows. Net gains from the sale of investment securities were 16% higher at S\$119 million while profit from life assurance of S\$416 million in 1H17 more than doubled from S\$191 million a year ago.

Overall wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, grew 51% to S\$1.51 billion, from S\$1.00 billion a year ago. As a proportion of the Group's total income, wealth management contributed 33%, higher as compared with 24% in 1H16. OCBC's private banking business continued to achieve strong growth, as reflected by an increase in assets under management to US\$89 billion (S\$123 billion) as at 30 June 2017, up 47% from US\$61 billion (S\$82 billion) the previous year, partly contributed by the acquisition of Barclays WIM.

The Group's operating expenses were 6% higher at S\$1.97 billion, mainly from staff-related costs, including those associated with the consolidation of Barclays WIM. Net allowances for loans and other assets of S\$337 million were higher than S\$255 million set aside a year ago.

Income from associates of S\$233 million in 1H17 rose 12% from S\$209 million a year ago.

Annualised return on equity for 1H17 was 11.4%, higher than 10.3% a year ago. Annualised earnings per share amounted to 97.7 cents, as compared to 83.5 cents a year ago.

Allowances and Asset Quality

Total net allowances for loans and other assets for 2Q17 were S\$169 million, flat as compared to S\$168 million the previous quarter but higher than S\$88 million a year ago. Specific provisions for loans, net of recoveries and write-backs of S\$105 million were slightly below S\$108 million a quarter ago and represented an annualised 19 basis points of loans. General provisions of S\$59 million were set aside in line with loan growth.

As at 30 June 2017, the level of total non-performing assets (“NPAs”) of S\$2.92 billion was relatively stable against S\$2.87 billion in 1Q17. Compared to S\$2.49 billion a year ago, the increase was mainly attributable to the downgrade of corporate accounts in the oil and gas support services sector which remained under stress. The overall non-performing loans ratio of 1.3% was unchanged from a quarter ago. Healthy coverage ratios were maintained, with total cumulative allowances covering 304% of unsecured NPAs and 101% of total NPAs at the end of 2Q17.

Funding and Capital Position

The Group maintained its strong funding and capital position as at 30 June 2017. Customer loans were up 11% to S\$229 billion, while customer deposits rose 7% year-on-year to S\$264 billion. The increase in deposits was driven by an 11% rise in current account and savings (“CASA”) deposits, which made up 50.9% of total non-bank deposits, higher than 49.3% a year ago. The LDR was 85.2% as compared to 82.2% the previous year.

For 2Q17, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macau and OCBC Yangon which will be included in due course) were 260% and 144% respectively, higher as compared to the respective regulatory ratios of 100% and 80%.

The Group's Common Equity Tier 1 capital adequacy ratio (“CAR”), Tier 1 CAR and Total CAR as at 30 June 2017, were 13.0%, 13.9% and 16.1% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 6.5%, 8% and 10%. In addition to these minimum capital requirements, a capital conservation buffer (“CCB”) of 2.5% and countercyclical buffer of up to 2.5% will be phased in from 2016 to 2019. The CCB was 1.25% as at 1 January 2017, and will be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.8% was better than the 3% minimum requirement as guided by the Basel Committee.

Interim Dividend

An interim dividend of 18 cents per share has been declared for the first half of 2017, unchanged from the 18 cents interim dividend declared a year ago. The Scrip Dividend Scheme will not be applicable to the interim dividend. The interim dividend payout will amount to approximately S\$753 million, representing 37% of the Group's 1H17 net profit after tax.

CEO's Comments

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

“Strong business momentum was achieved across all three business pillars – banking, wealth management and insurance. Income growth was broad-based, lending activities were up, AUM continued to rise, and underlying insurance business growth continued. OCBC Group maintained its healthy capital, funding and liquidity positions, and the overall loan portfolio remained sound, with the NPL ratio stable over the last three quarters.

Stronger consumer sentiments were noted in key economies, but overall economic growth in the region is expected to only be moderate and event risks remain. We will pursue prudent business growth, focusing on our key markets and core business lines.”

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 and the Asia Pacific 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 610 branches and representative offices in 18 countries and regions. These include the 340 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 100 branches and offices in Hong Kong, China and Macau under OCBC Wing Hang.

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

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

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To Our Shareholders

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

Unaudited Financial Results for the Second Quarter Ended 30 June 2017

For the second quarter ended 30 June 2017, Group reported net profit after tax was S\$1.08 billion. Details of the financial results are in the accompanying Group Financial Report.

Ordinary Dividend

An interim tax exempt dividend of 18 cents per share (2016: 18 cents tax exempt) has been declared for the first half-year 2017. The interim dividend payout will amount to an estimated S\$753 million (2016: S\$753 million) or approximately 37% of the Group’s net profit after tax of S\$2.06 billion for 1H17.

Closure of Books

The books closure date is 8 August 2017. Please refer to the separate announcement titled “Notice of Books Closure and Payment of Interim One-Tier Tax Exempt Dividend on Ordinary Shares for the Financial Year Ending 31 December 2017” 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 interim dividend.

Preference Dividend

On 20 June 2017, the Bank paid semi-annual tax exempt dividend on its Class M non-cumulative non-convertible preference shares at 4.0% (2016: 4.0%) per annum. Total amount of dividend paid was S\$19.9 million.

Peter Yeoh
Secretary

Singapore, 27 July 2017

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

Oversea-Chinese Banking Corporation Limited
Second Quarter 2017 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 (“FRS”) as required by the Singapore Companies Act, including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 “Credit Files, Grading and Provisioning” issued by the Monetary Authority of Singapore.

The following revised financial reporting standards and interpretations were applied with effect from 1 January 2017:

FRS 7 (Amendments)	<i>Statement of Cash Flows: Disclosure Initiatives</i>
FRS 12 (Amendments)	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses</i>
Various	<i>Improvements to FRSs (December 2016)</i>

There are a number of new/revised financial reporting standards in issue but not yet effective. They are not expected to have a material impact on the Group’s financial statements when adopted except for FRS 109: *Financial Instruments*. FRS 109 is effective from 1 January 2018.

Financial Results

The Group reported a net profit after tax of S\$1.08 billion for the second quarter ended 30 June 2017 (“2Q17”), representing an increase of 22% from S\$885 million a year ago (“2Q16”).

Net interest income for 2Q17 was S\$1.35 billion and was 7% higher as compared to S\$1.26 billion a year ago, largely driven by strong lending growth across the Group’s corporate and consumer businesses. Non-interest income was up 34% to S\$1.05 billion, from S\$788 million a year ago. Fee and commission income was S\$492 million, 18% higher as compared to S\$417 million in 2Q16, and led by higher income from loan and trade-related activities, wealth and fund management, credit card and brokerage activities. Net trading income, comprising predominantly treasury-related income from customer flows, was 14% higher at S\$140 million for the quarter, while profit from life assurance rose to S\$240 million from S\$108 million a year ago. Share of results of associates was 17% higher at S\$119 million in 2Q17, up from S\$103 million in 2Q16.

Operating expenses rose 6% to S\$992 million in 2Q17, from S\$932 million a year ago, largely attributable to higher staff costs. Allowances for loans and other assets were S\$169 million, an increase from S\$88 million a year ago. The Group’s non-performing loans (“NPL”) ratio was 1.3% as at 30 June 2017, as compared to 1.1% the previous year.

For the first half of 2017 (“1H17”), the Group’s net profit after tax was S\$2.06 billion, an increase of 18% from S\$1.74 billion a year ago (“1H16”), as broad-based income growth outpaced the increase in operating expenses and allowances.

Annualised return on equity was 11.4% in 1H17, up from 10.3% a year ago. Annualised earnings per share was 97.7 cents, as compared to 83.5 cents in 1H16.

FINANCIAL SUMMARY *(continued)*

S\$ million	1H17	1H16	+/(-) %	2Q17	2Q16	+/(-) %	1Q17	+/(-) %
Selected Income Statement Items								
Net interest income	2,617	2,567	2	1,345	1,260	7	1,272	6
Non-interest income	2,030	1,541	32	1,053	788	34	977	8
Total income	4,647	4,108	13	2,398	2,048	17	2,249	7
Operating expenses	(1,965)	(1,855)	6	(992)	(932)	6	(973)	2
Operating profit before allowances and amortisation	2,682	2,253	19	1,406	1,116	26	1,276	10
Amortisation of intangible assets	(53)	(48)	10	(27)	(24)	10	(26)	–
Allowances for loans and impairment for other assets	(337)	(255)	32	(169)	(88)	93	(168)	1
Operating profit after allowances and amortisation	2,292	1,950	18	1,210	1,004	20	1,082	12
Share of results of associates	233	209	12	119	103	17	114	5
Profit before income tax	2,525	2,159	17	1,329	1,107	20	1,196	11
Net profit attributable to shareholders	2,056	1,741	18	1,083	885	22	973	11
Cash basis net profit attributable to shareholders ^{1/}	2,109	1,789	18	1,110	909	22	999	11

Selected Balance Sheet Items

Ordinary equity	36,523	34,275	7	36,523	34,275	7	36,278	1
Total equity <i>(excluding non-controlling interests)</i>	38,023	35,775	6	38,023	35,775	6	37,778	1
Total assets	429,601	395,675	9	429,601	395,675	9	426,985	1
Assets excluding life assurance fund investment assets	362,728	336,219	8	362,728	336,219	8	362,012	–
Loans and bills receivable <i>(net of allowances)</i>	225,355	202,521	11	225,355	202,521	11	221,459	2
Deposits of non-bank customers	264,421	246,274	7	264,421	246,274	7	265,044	–

Note:

1. Excludes amortisation of intangible assets.

FINANCIAL SUMMARY (continued)

	1H17	1H16	2Q17	2Q16	1Q17
Key Financial Ratios					
Performance ratios (% p.a.)					
Return on equity ^{1/2/}					
SFRS ^{3/} basis	11.4	10.3	11.9	10.4	10.8
Cash basis	11.7	10.6	12.2	10.7	11.1
Return on assets ^{4/}					
SFRS ^{3/} basis	1.16	1.05	1.21	1.06	1.12
Cash basis	1.19	1.08	1.23	1.09	1.15
Revenue mix/efficiency ratios (%)					
Net interest margin (annualised)	1.64	1.71	1.65	1.68	1.62
Net interest income to total income	56.3	62.5	56.1	61.5	56.6
Non-interest income to total income	43.7	37.5	43.9	38.5	43.4
Cost-to-income	42.3	45.2	41.4	45.5	43.3
Loans-to-deposits	85.2	82.2	85.2	82.2	83.6
NPL ratio	1.3	1.1	1.3	1.1	1.3
Earnings per share ^{2/} (annualised - cents)					
Basic earnings	97.7	83.5	102.4	84.9	92.9
Basic earnings (cash basis)	100.2	85.9	104.9	87.2	95.5
Diluted earnings	97.6	83.5	102.3	84.9	92.8
Net asset value per share (S\$)					
Before valuation surplus	8.73	8.19	8.73	8.19	8.67
After valuation surplus	10.77	9.70	10.77	9.70	10.40
Capital adequacy ratios (%) ^{5/}					
Common Equity Tier 1	13.0	14.9	13.0	14.9	13.3
Tier 1	13.9	15.5	13.9	15.5	14.2
Total	16.1	17.5	16.1	17.5	16.5
Leverage ratio (%) ^{6/}					
	7.8	8.2	7.8	8.2	7.7
Liquidity coverage ratios (%) ^{8/}					
Singapore dollar	264	266	260	273	267
All-currency	144	126	144	130	143

Notes:

1. Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
2. Calculated based on net profit less preference dividends and distributions on other equity instruments paid and estimated to be due at the end of the financial period.
3. "SFRS" refers to Singapore Financial Reporting Standards.
4. Computation of return on assets excludes life assurance fund investment assets.
5. The Group's Capital adequacy ratios are computed based on Basel III transitional arrangements.
6. The Group's Leverage ratio is computed based on the revised MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore.
7. Return on equity, return on assets, net interest margin and earnings per share are computed on an annualised basis.
8. The Group's Liquidity coverage ratios ("LCR") is computed based on MAS Notice 649 on Minimum Liquid Assets and Liquidity Coverage Ratio, and is reported based on the average LCR for the respective quarters.

NET INTEREST INCOME

Average Balance Sheet

S\$ million	1H17			1H16		
	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %
Interest earning assets						
Loans and advances to non-bank customers	220,740	3,314	3.03	205,711	3,333	3.26
Placements with and loans to banks	53,903	476	1.78	50,827	391	1.55
Other interest earning assets ^{1/}	47,931	568	2.39	44,763	526	2.36
Total	322,574	4,358	2.72	301,301	4,250	2.84
Interest bearing liabilities						
Deposits of non-bank customers	262,924	1,394	1.07	245,369	1,391	1.14
Deposits and balances of banks	12,562	72	1.15	14,236	63	0.88
Other borrowings ^{2/}	26,013	275	2.13	21,886	229	2.10
Total	301,499	1,741	1.16	281,491	1,683	1.20
Net interest income/margin ^{3/}		2,617	1.64		2,567	1.71

S\$ million	2Q17			2Q16			1Q17		
	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %	Average Balance	Interest	Average Rate ^{4/} %
Interest earning assets									
Loans and advances to non-bank customers	222,896	1,690	3.04	203,842	1,636	3.23	218,562	1,624	3.01
Placements with and loans to banks	55,271	257	1.87	52,035	187	1.44	52,519	219	1.69
Other interest earning assets ^{1/}	48,835	294	2.41	46,123	271	2.37	47,017	274	2.36
Total	327,002	2,241	2.75	302,000	2,094	2.79	318,098	2,117	2.70
Interest bearing liabilities									
Deposits of non-bank customers	263,585	710	1.08	247,548	691	1.12	262,257	684	1.06
Deposits and balances of banks	13,100	41	1.26	13,413	30	0.88	12,018	31	1.04
Other borrowings ^{2/}	29,290	145	1.98	20,606	113	2.20	22,699	130	2.32
Total	305,975	896	1.17	281,567	834	1.19	296,974	845	1.15
Net interest income/margin ^{3/}		1,345	1.65		1,260	1.68		1,272	1.62

Notes:

1. Comprise corporate debt and government securities.
2. Mainly debt issued.
3. Net interest margin is net interest income as a percentage of interest earning assets.
4. Average rates are computed on an annualised basis.

NET INTEREST INCOME *(continued)*

Net interest income rose 7% to S\$1.35 billion in 2Q17, up from S\$1.26 billion a year ago, mainly driven by loan growth across both corporate and consumer businesses, despite the 3 basis points decline in net interest margin to 1.65%, from 1.68% in 2Q16. The contraction in net interest margin was largely attributable to a fall in loans yields, partly offset by higher gapping income and a decline in funding costs.

Net interest income was 6% higher from S\$1.27 billion a quarter ago, underpinned by asset growth and an improvement in net interest margin. Net interest margin rose 3 basis points quarter-on-quarter, mainly from an increase in gapping income and a higher average loans-to-deposits ratio.

Volume and Rate Analysis

Increase/(decrease) due to change in: S\$ million	1H17 vs 1H16			2Q17 vs 2Q16			2Q17 vs 1Q17		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
Interest income									
Loans and advances to non-bank customers	242	(242)	0	153	(99)	54	32	16	48
Placements with and loans to banks	24	64	88	12	58	70	12	24	36
Other interest earning assets	37	7	44	16	7	23	11	6	17
Total	303	(171)	132	181	(34)	147	55	46	101
Interest expense									
Deposits of non-bank customers	99	(88)	11	45	(26)	19	3	15	18
Deposits and balances of banks	(7)	17	10	(1)	12	11	3	7	10
Other borrowings	43	4	47	48	(16)	32	38	(24)	14
Total	135	(67)	68	92	(30)	62	44	(2)	42
Impact on net interest income	168	(104)	64	89	(4)	85	11	48	59
Due to change in number of days			(14)			0			14
Net interest income			50			85			73

NON-INTEREST INCOME

S\$ million	1H17	1H16	+ / (-) %	2Q17	2Q16	+ / (-) %	1Q17	+ / (-) %
Fees and commissions								
Brokerage	35	32	8	17	15	9	18	(7)
Wealth management	430	276	56	215	150	45	215	–
Fund management	52	47	12	27	24	12	25	6
Credit card	79	73	7	44	41	6	35	27
Loan-related	146	150	(3)	79	78	–	67	16
Trade-related and remittances	105	101	4	53	51	3	52	–
Guarantees	9	11	(17)	5	7	(27)	4	5
Investment banking	53	29	85	24	15	72	29	(13)
Service charges	46	55	(16)	19	29	(34)	27	(28)
Others	18	17	5	9	7	23	9	1
Sub-total	973	791	23	492	417	18	481	2
Dividends	42	38	8	27	27	(2)	15	75
Rental income	41	45	(9)	20	22	(9)	21	(3)
Profit from life assurance	416	191	118	240	108	123	176	37
Premium income from general insurance	73	77	(6)	38	38	(1)	35	9
Other income								
Net trading income	298	245	22	140	123	14	158	(11)
Net gain from investment securities	119	103	16	54	44	23	65	(18)
Net gain/(loss) from disposal of subsidiaries	20	(19)	207	20	(19)	207	–	–
Net gain from disposal of properties	30	28	8	6	7	(16)	24	(74)
Others	18	42	(57)	16	21	(23)	2	696
Sub-total	485	399	22	236	176	34	249	(5)
Total non-interest income	2,030	1,541	32	1,053	788	34	977	8
Fees and commissions/Total income	20.9%	19.3%		20.5%	20.3%		21.4%	
Non-interest income/Total income	43.7%	37.5%		43.9%	38.5%		43.4%	

Non-interest income was S\$1.05 billion for 2Q17, and was 34% higher as compared to S\$788 million a year ago.

Fee and commission income rose 18% to S\$492 million for the quarter, up from S\$417 million in 2Q16. This was largely driven by an increase in income from loan and trade-related activities, wealth and fund management, credit card and brokerage. The growth in wealth management fees was partly attributable to the inclusion of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong (“Barclays WIM”) acquired in November 2016. Net trading income, predominantly treasury-related income from customer flows, of S\$140 million was higher as compared to S\$123 million a year ago. Net realised gains from the sale of investment securities was 23% higher at S\$54 million, up from S\$44 million in 2Q16. Profit from life assurance grew year-on-year to S\$240 million, from S\$108 million a year ago, mainly attributable to higher operating profit and positive performance from Great Eastern Holdings’ (“GEH”) investment portfolio as a result of the narrowing of credit spreads and gains from favourable interest rate movements.

Compared to 1Q17, non-interest income grew 8% from S\$977 million, led by higher fee income and profit from life assurance.

OPERATING EXPENSES

S\$ million	1H17	1H16	+/(-) %	2Q17	2Q16	+/(-) %	1Q17	+/(-) %
Staff costs								
Salaries and other costs	1,104	1,057	5	560	534	5	544	3
Share-based expenses	27	23	14	14	13	6	13	10
Contribution to defined contribution plans	90	81	11	45	36	23	45	(1)
	1,221	1,161	5	619	583	6	602	3
Property and equipment								
Depreciation	155	151	3	77	75	4	78	–
Maintenance and hire of property, plant & equipment	59	58	1	30	30	(3)	29	2
Rental expenses	49	49	1	24	25	–	25	(1)
Others	124	114	8	64	59	7	60	5
	387	372	4	195	189	4	192	2
Other operating expenses	357	322	11	178	160	11	179	(1)
Total operating expenses	1,965	1,855	6	992	932	6	973	2
Group staff strength								
Period end	29,207	30,068	(3)	29,207	30,068	(3)	29,705	(2)
Average	29,600	30,006	(1)	29,491	30,073	(2)	29,709	(1)
Cost-to-income ratio	42.3%	45.2%		41.4%	45.5%		43.3%	

Operating expenses for the quarter were up 6% at S\$992 million, from S\$932 million in 2Q16. Staff costs rose 6% to S\$619 million, as compared to S\$583 million a year ago, mainly attributable to higher base salaries and staff costs associated with the inclusion of Barclays WIM. Property and equipment-related expenses were S\$195 million in 2Q17, up 4% from S\$189 million in 2Q16, largely from higher depreciation expenses and technology-related costs. Other operating expenses were 11% higher year-on-year at S\$178 million as compared to S\$160 million a year ago.

Compared to 1Q17, operating expenses rose 2% from S\$973 million, mainly from higher staff costs as the Group's annual salary increments took effect in April 2017.

The cost-to-income ratio was 41.4% in 2Q17 and 42.3% for 1H17, lower as compared to 45.5% and 45.2% in the respective periods a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S\$ million	1H17	1H16	+ / (-) %	2Q17	2Q16	+ / (-) %	1Q17	+ / (-) %
Specific allowances/ (write-back) for loans								
Singapore	156	77	103	60	41	47	96	(37)
Malaysia	29	23	25	21	10	98	8	165
Greater China	13	15	(7)	8	4	134	5	62
Others	15	36	(59)	16	(3)	524	(1)	nm
	213	151	42	105	52	105	108	(2)
Portfolio allowances for loans	98	64	54	59	8	668	39	48
Allowances and impairment charges for other assets	26	40	(37)	5	28	(81)	21	(73)
Allowances for loans and impairment for other assets	337	255	32	169	88	93	168	1

Allowances for loans and other assets were S\$169 million in 2Q17, an increase from S\$88 million a year ago and relatively unchanged as compared to S\$168 million in the previous quarter.

Specific allowances for loans, net of recoveries and writebacks were S\$105 million for the quarter, up from S\$52 million in 2Q16. Net specific allowances were 19 basis points of loans on an annualised basis. Compared to 1Q17, specific allowances were 2% lower from S\$108 million.

Portfolio allowances for loans increased from the quarter before and a year ago to S\$59 million for 2Q17, and were set aside in line with loan growth.

LOANS AND ADVANCES

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Loans to customers	221,490	218,025	213,623	200,282
Bills receivable	7,315	6,778	6,529	5,203
Gross loans to customers	228,805	224,803	220,152	205,485
Allowances				
Specific allowances	(643)	(648)	(616)	(360)
Portfolio allowances	(2,300)	(2,251)	(2,241)	(2,097)
	225,862	221,904	217,295	203,028
Less: assets pledged	(507)	(445)	(465)	(507)
Loans net of allowances	225,355	221,459	216,830	202,521
By Maturity				
Within 1 year	90,220	88,149	82,942	73,090
1 to 3 years	38,187	37,390	38,003	36,362
Over 3 years	100,398	99,264	99,207	96,033
	228,805	224,803	220,152	205,485
By Industry				
Agriculture, mining and quarrying	7,855	7,582	8,974	7,838
Manufacturing	13,530	13,185	12,697	11,434
Building and construction	36,683	35,742	35,632	34,090
Housing loans	60,998	60,027	60,149	58,356
General commerce	27,247	26,366	25,348	22,294
Transport, storage and communication	12,367	12,016	11,520	10,860
Financial institutions, investment and holding companies	32,736	33,225	30,491	26,856
Professionals and individuals	27,573	26,956	26,396	24,319
Others	9,816	9,704	8,945	9,438
	228,805	224,803	220,152	205,485
By Currency				
Singapore Dollar	83,378	83,069	81,260	80,540
United States Dollar	59,685	59,828	56,576	45,645
Malaysian Ringgit	20,091	20,264	20,552	21,720
Indonesian Rupiah	7,652	7,350	7,486	6,543
Hong Kong Dollar	30,990	29,561	30,339	27,794
Chinese Renminbi	5,574	5,144	5,182	5,777
Others	21,435	19,587	18,757	17,466
	228,805	224,803	220,152	205,485
By Geography ^{1/}				
Singapore	95,853	95,764	93,580	88,698
Malaysia	27,899	28,003	27,948	28,580
Indonesia	19,646	18,785	18,138	16,830
Greater China	55,918	54,161	53,997	49,291
Other Asia Pacific	12,756	12,359	11,988	10,871
Rest of the World	16,733	15,731	14,501	11,215
	228,805	224,803	220,152	205,485

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\$229 billion as at 30 June 2017, an increase of 11% from a year ago and up 2% from the previous quarter. By industry, the year-on-year loan growth was broad-based across most industry segments and geographies, with the largest increases coming from loans to financial institutions, investment and holding companies, the general commerce sector and consumer-related loans.

NON-PERFORMING ASSETS

S\$ million	Total NPAs ^{1/}	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs %	NPLs ^{2/}	NPL Ratio ^{2/} %
Singapore							
30 Jun 2017	884	414	306	164	62.9	828	0.9
31 Mar 2017	980	465	334	181	62.9	924	1.0
31 Dec 2016	800	404	248	148	68.3	745	0.8
30 Jun 2016	574	309	157	108	64.5	536	0.6
Malaysia							
30 Jun 2017	719	596	76	47	79.1	717	2.6
31 Mar 2017	586	466	75	45	79.4	584	2.1
31 Dec 2016	610	485	81	44	79.5	607	2.2
30 Jun 2016	465	365	68	32	78.5	441	1.5
Indonesia							
30 Jun 2017	628	386	98	144	65.5	626	3.2
31 Mar 2017	622	388	94	140	64.5	621	3.3
31 Dec 2016	691	433	120	138	67.0	689	3.8
30 Jun 2016	656	552	14	90	63.3	653	3.9
Greater China							
30 Jun 2017	323	178	94	51	50.4	323	0.6
31 Mar 2017	307	199	51	57	46.4	307	0.6
31 Dec 2016	389	219	114	56	40.2	354	0.7
30 Jun 2016	414	201	156	57	41.6	355	0.7
Other Asia Pacific							
30 Jun 2017	286	256	30	–	62.7	286	2.2
31 Mar 2017	314	288	26	–	68.5	314	2.5
31 Dec 2016	326	301	25	–	67.6	326	2.7
30 Jun 2016	267	267	–	–	76.5	267	2.5
Rest of the World							
30 Jun 2017	80	75	4	1	91.8	79	0.5
31 Mar 2017	61	57	3	1	87.7	60	0.4
31 Dec 2016	70	60	9	1	88.5	62	0.4
30 Jun 2016	112	38	73	1	39.0	105	0.9
Group							
30 Jun 2017	2,920	1,905	608	407	66.8	2,859	1.3
31 Mar 2017	2,870	1,863	583	424	66.0	2,810	1.3
31 Dec 2016	2,886	1,902	597	387	67.0	2,783	1.3
30 Jun 2016	2,488	1,732	468	288	63.1	2,357	1.1

Notes:

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

NON-PERFORMING ASSETS (continued)

Non-performing assets ("NPAs") were S\$2.92 billion as at 30 June 2017, an increase of 17% from S\$2.49 billion a year ago, and were up 2% as compared to the previous quarter. The year-on-year increase in NPAs was mainly from the downgrade of a few large corporate accounts associated with the oil and gas services sector which remained under stress.

The Group's NPL ratio of 1.3% was unchanged from the previous quarter, and was higher as compared to 1.1% a year ago. Of the total NPAs, 65% were in the substandard category and 67% were secured by collateral.

	30 Jun 2017		31 Mar 2017		31 Dec 2016		30 Jun 2016	
	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans
NPLs by Industry								
Loans and advances								
Agriculture, mining and quarrying	152	1.9	144	1.9	152	1.7	189	2.4
Manufacturing	289	2.1	321	2.4	254	2.0	268	2.3
Building and construction	98	0.3	89	0.2	94	0.3	114	0.3
Housing loans	461	0.8	427	0.7	406	0.7	325	0.6
General commerce	356	1.3	349	1.3	376	1.5	322	1.4
Transport, storage and communication	654	5.3	613	5.1	608	5.3	342	3.2
Financial institutions, investment and holding companies	452	1.4	429	1.3	435	1.4	385	1.4
Professionals and individuals	121	0.4	159	0.6	170	0.6	150	0.6
Others	276	2.8	279	2.9	288	3.2	262	2.8
Total NPLs	2,859	1.3	2,810	1.3	2,783	1.3	2,357	1.1
Classified debt securities	38		37		80		100	
Classified contingent liabilities	23		23		23		31	
Total NPAs	2,920		2,870		2,886		2,488	

	30 Jun 2017		31 Mar 2017		31 Dec 2016		30 Jun 2016	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
NPAs by Period Overdue								
Over 180 days	1,177	40	1,236	43	1,528	53	865	35
Over 90 to 180 days	388	13	405	14	337	12	437	18
30 to 90 days	464	16	417	14	248	9	608	24
Less than 30 days	426	15	449	16	323	11	130	5
Not overdue	465	16	363	13	450	15	448	18
	2,920	100	2,870	100	2,886	100	2,488	100

	30 Jun 2017		31 Mar 2017		31 Dec 2016		30 Jun 2016	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans								
Substandard	492	14	549	14	865	72	655	27
Doubtful	90	56	112	67	156	118	49	43
Loss	53	34	53	35	42	28	24	14
	635	104	714	116	1,063	218	728	84

CUMULATIVE ALLOWANCES FOR ASSETS

S\$ million	Total cumulative allowances	Specific allowances	Portfolio allowances	Specific allowances as % of total NPAs	Cumulative allowances as % of total NPAs
				%	%
Singapore					
30 Jun 2017	1,149	272	877	30.8	130.1
31 Mar 2017	1,160	312	848	31.8	118.4
31 Dec 2016	1,082	235	847	29.4	135.2
30 Jun 2016	923	128	795	22.4	161.0
Malaysia					
30 Jun 2017	516	138	378	19.2	71.7
31 Mar 2017	494	121	373	20.6	84.4
31 Dec 2016	509	124	385	20.4	83.4
30 Jun 2016	479	89	390	19.2	103.1
Indonesia					
30 Jun 2017	485	148	337	23.5	77.2
31 Mar 2017	455	148	307	23.8	73.1
31 Dec 2016	461	173	288	25.0	66.7
30 Jun 2016	306	67	239	10.1	46.6
Greater China					
30 Jun 2017	551	57	494	17.8	170.5
31 Mar 2017	566	52	514	16.9	184.2
31 Dec 2016	610	89	521	23.0	156.9
30 Jun 2016	567	80	487	19.3	136.9
Other Asia Pacific					
30 Jun 2017	140	21	119	7.1	48.9
31 Mar 2017	134	16	118	5.1	42.6
31 Dec 2016	127	17	110	5.1	38.9
30 Jun 2016	102	0	102	0.2	38.4
Rest of the World					
30 Jun 2017	103	8	95	10.6	129.3
31 Mar 2017	92	1	91	1.6	151.4
31 Dec 2016	98	8	90	10.8	139.3
30 Jun 2016	113	29	84	25.8	100.3
Group					
30 Jun 2017	2,944	644	2,300	22.1	100.8
31 Mar 2017	2,901	650	2,251	22.6	101.1
31 Dec 2016	2,887	646	2,241	22.4	100.0
30 Jun 2016	2,490	393	2,097	15.8	100.1

As at 30 June 2017, the Group's total cumulative allowances were S\$2.94 billion, comprising S\$644 million in specific allowances and S\$2.30 billion in portfolio allowances. The coverage ratios of total cumulative allowances as at 30 June 2017 was at 304% of unsecured NPAs and 101% of total NPAs.

DEPOSITS

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Deposits of non-bank customers	264,421	265,044	261,486	246,274
Deposits and balances of banks	11,734	14,543	10,740	14,035
	276,155	279,587	272,226	260,309
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	85.2%	83.6%	82.9%	82.2%
S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Total Deposits By Maturity				
Within 1 year	271,409	275,634	268,328	255,794
1 to 3 years	2,692	1,892	2,045	2,475
Over 3 years	2,054	2,061	1,853	2,040
	276,155	279,587	272,226	260,309
Non-Bank Deposits By Product				
Fixed deposits	107,920	114,603	113,943	107,692
Savings deposits	50,791	50,265	48,240	43,881
Current account	83,854	81,866	85,411	77,547
Others	21,856	18,310	13,892	17,154
	264,421	265,044	261,486	246,274
Non-Bank Deposits By Currency				
Singapore Dollar	95,448	94,159	94,413	92,268
United States Dollar	82,928	84,211	80,402	72,293
Malaysian Ringgit	22,049	21,635	21,701	23,804
Indonesian Rupiah	7,796	8,297	7,563	6,837
Hong Kong Dollar	25,803	25,828	27,336	22,637
Chinese Renminbi	7,614	7,819	8,008	8,099
Others	22,783	23,095	22,063	20,336
	264,421	265,044	261,486	246,274

Non-bank customer deposits as at 30 June 2017 were S\$264 billion, up 7% from a year ago, and relatively unchanged from the previous quarter. Compared to the previous year, the growth in customer deposits was led by an increase in current account and savings deposits, which grew by 8% and 16% respectively. The ratio of current account and savings deposits to total non-bank deposits increased to 50.9% from 49.3% a year ago. The Group's loans-to-deposits ratio was 85.2%, an increase from 82.2% a year ago and 83.6% the previous quarter.

DEBT ISSUED

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Subordinated debt (unsecured)	5,589	6,290	6,503	6,345
Fixed and floating rate notes (unsecured)	2,573	3,298	3,565	4,297
Commercial papers (unsecured)	21,079	16,178	8,572	9,966
Structured notes (unsecured)	1,316	1,244	1,307	1,454
Covered bonds (secured)	774	736	–	–
Total	31,331	27,746	19,947	22,062
Debt Issued By Maturity				
Within one year	24,654	21,259	12,480	13,304
Over one year	6,677	6,487	7,467	8,758
Total	31,331	27,746	19,947	22,062

As at 30 June 2017, the Group had S\$21.1 billion of commercial papers outstanding, higher from a year ago and the previous quarter. The commercial papers form part of the Group's diversified funding sources.

CAPITAL ADEQUACY RATIOS¹

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Ordinary shares	14,106	14,113	14,107	14,106
Disclosed reserves/others	22,607	22,353	21,586	20,323
Regulatory adjustments	(8,913)	(8,778)	(6,550)	(6,012)
Common Equity Tier 1 Capital	27,800	27,688	29,143	28,417
Additional Tier 1 capital	2,988	2,987	3,109	3,108
Regulatory adjustments	(1,104)	(1,117)	(2,284)	(2,091)
Tier 1 Capital	29,684	29,558	29,968	29,434
Tier 2 capital	5,825	5,815	6,087	5,870
Regulatory adjustments	(1,125)	(1,078)	(2,080)	(1,915)
Total Eligible Capital	34,384	34,295	33,975	33,389
Risk Weighted Assets	212,527	207,224	197,763	189,862
Capital Adequacy Ratios				
Common Equity Tier 1	13.0%	13.3%	14.7%	14.9%
Tier 1	13.9%	14.2%	15.1%	15.5%
Total	16.1%	16.5%	17.1%	17.5%

The Group remains strongly capitalised, with a Common Equity Tier 1 (“CET1”) capital adequacy ratio (“CAR”) of 13.0%, and Tier 1 and Total CAR of 13.9% and 16.1% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2017². The Group’s CAR as at 30 June 2017 was lower as compared to 31 March 2017, mainly from an increase in risk weighted assets.

The Group’s CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, was 12.0%.

The capital adequacy information of the Group’s significant banking subsidiaries as at 30 June 2017 were:

S\$ million	Total Risk Weighted Assets	Capital Adequacy Ratios		
		Common Equity Tier 1	Tier 1	Total
OCBC Wing Hang Bank Limited	18,596	15.1%	15.1%	17.1%
OCBC Bank (Malaysia) Berhad	12,904	12.2%	14.4%	17.0%
Bank OCBC NISP	12,611	16.6%	16.6%	17.6%

The capital adequacy ratios of OCBC Wing Hang Bank Limited are computed in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority, and the ratios for OCBC Bank (Malaysia) Berhad are computed in accordance with the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia. Bank OCBC NISP computes their ratios based on the standardised approach under the Basel III framework.

¹ Public disclosures required under MAS Notice 637 Part XI can be found in the Capital and Regulatory Disclosures section of the Bank’s investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

² In addition to these minimum capital requirements, Capital Conservation Buffer (“CCB”) of 2.5% and Countercyclical Buffer (“CCyB”) of up to 2.5% will be phased in from 2016 to 2019. The CCB was 1.25% on 1 January 2017 and increases by 0.625% each year to reach 2.5% on 1 January 2019. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

LEVERAGE RATIO

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Tier 1 Capital	29,684	29,558	29,968	29,434
Total exposures	380,558	380,068	365,126	356,597
Leverage ratio	7.8%	7.7%	8.2%	8.2%

Note:

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

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 30 June 2017, the Group's leverage ratio of 7.8% was better than the minimum requirement of 3% as guided by the Basel Committee.

LIQUIDITY COVERAGE RATIOS

For 2Q17, the average Singapore dollar and all-currency liquidity coverage ratios ("LCR") for the Group (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macau and OCBC Yangon which will be included in due course) were 260% and 144% respectively. Compared to 1Q17, the average all-currency LCR was higher by 1 percentage point. This is relatively stable compared to the previous 2 quarters as the Group continued to support the net cash outflow with a diversified pool of High Quality Liquid Assets ("HQLA").

The Group continued to focus on acquiring stable deposits and to maintain a mix of HQLA comprising mainly Level 1 central bank reserves and liquid sovereign bonds. The Asset & Liability Management Desk in Global Treasury manages the day-to-day liquidity needs of the Group, and is subject to liquidity limits and triggers that serve as risk control on the Group's liquidity exposure.

Public disclosures required under MAS Notice 651 Liquidity Coverage Ratio Disclosure can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

UNREALISED VALUATION SURPLUS

S\$ million	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Properties ^{2/}	3,923	3,874	3,890	3,918
Equity securities ^{3/}	4,612	3,355	2,557	2,379
Total	8,535	7,229	6,447	6,297

Notes:

- Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end, with internal reviews performed for other quarters.
- Comprises mainly investments in quoted subsidiaries, a quoted associate and the investment in Hong Kong Life Insurance Limited ("Hong Kong Life"), which are valued based on their quarter-end market prices for quoted equities and the sale consideration for Hong Kong Life.

The Group's unrealised valuation surplus largely represents the difference between the carrying values of its properties, its investments in quoted subsidiaries and an associate, the investment in Hong Kong Life, and the market values of properties and equity securities at the respective periods. The carrying values of subsidiaries, associate and Hong Kong Life on the balance sheet are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation, and impairment, if any.

The valuation surplus as at 30 June 2017 was S\$8.54 billion, up 18% from S\$7.23 billion as at 31 March 2017, mainly from higher market valuation from the Group's equity stake in GEH.

PERFORMANCE BY BUSINESS SEGMENT

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

Operating Profit by Business Segment

S\$ million	1H17	1H16	+/(-) %	2Q17	2Q16	+/(-) %	1Q17	+/(-) %
Global Consumer/Private Banking	633	455	39	320	236	36	313	3
Global Corporate/Investment Banking	785	945	(17)	429	454	(5)	356	21
Global Treasury and Markets	243	225	8	134	104	28	109	22
OCBC Wing Hang ^{1/}	176	168	5	91	94	(4)	85	7
Insurance	533	226	135	296	120	147	237	25
Others	(78)	(69)	12	(60)	(4)	nm	(18)	267
Operating profit after allowances and amortisation	2,292	1,950	18	1,210	1,004	20	1,082	12

Note:

1. Includes the operating profit of OCBC Bank (China) from mid-July 2016, following the merger of OCBC Bank (China) and Wing Hang Bank (China). The operating profit of China operations is also reported in the business segments.

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\$633 million in 1H17 and S\$320 million in 2Q17, a year-on-year increase of 39% and 36% respectively. The operating profit growth for both periods was driven by higher net interest income and fee income, as well as lower allowances, partly offset by an increase in expenses. Quarter-on-quarter, operating profit grew by 3%, led by net interest income and fee income growth.

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 market fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

Global Corporate/Investment Banking's operating profit after allowances fell 17% year-on-year to S\$785 million in 1H17, largely attributable to a decline in net interest income and higher allowances. 2Q17 operating profit was down 5% year-on-year to S\$429 million, as net interest income and fee income growth was more than offset by an increase in allowances. Quarter-on-quarter, operating profit rose 21%, driven by a rise in net interest income and fee income.

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 increased by 8% to S\$243 million in 1H17, and 28% to S\$134 million in 2Q17. The higher year-on-year operating profit was largely contributed by higher net interest income from gapping opportunities. Compared with 1Q17, operating profit in 2Q17 was up 22%, led by net interest income growth.

OCBC Wing Hang

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

OCBC Wing Hang's operating profit after allowances rose 5% to S\$176 million in 1H17, mainly attributable to broad-based income growth and lower allowances, partly offset by an increase in expenses. 2Q17 operating profit increased 7% quarter-on-quarter, led by an increase in net interest income and lower expenses.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.8%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances from GEH more than doubled year-on-year to S\$533 million in 1H17 and S\$296 million in 2Q17. The growth for both periods was driven by higher operating profit and stronger investment performance of the Non-participating Fund as a result of narrowing of credit spreads and favourable interest rate movements. Compared with 1Q17, operating profit grew by 25%, led by an increase in insurance income.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S\$413 million in 1H17 and S\$233 million in 2Q17, compared with S\$151 million in 1H16 and S\$78 million in 2Q16.

Others

Others comprise mainly property holding, investment holding and items not attributable to the business segments described above. It also includes the offset of China operations which is reported in both the business segments and OCBC Wing Hang.

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
1H17							
Total income	1,584	1,536	383	458	690	(4)	4,647
Operating profit before allowances and amortisation	671	1,024	251	189	564	(17)	2,682
Amortisation of intangible assets	(8)	–	–	(21)	(24)	–	(53)
Write-back/(allowances and impairment) for loans and other assets	(30)	(239)	(8)	8	(7)	(61)	(337)
Operating profit after allowances and amortisation	633	785	243	176	533	(78)	2,292
Other information:							
Capital expenditure	15	1	0	5	24	62	107
Depreciation	21	5	1	33	1	94	155
1H16							
Total income	1,331	1,554	357	415	365	86	4,108
Operating profit before allowances and amortisation	512	1,035	223	194	257	32	2,253
Amortisation of intangible assets	(4)	–	–	(21)	(23)	–	(48)
Write-back/(allowances and impairment) for loans and other assets	(53)	(90)	2	(5)	(8)	(101)	(255)
Operating profit after allowances and amortisation	455	945	225	168	226	(69)	1,950
Other information:							
Capital expenditure	19	1	0	5	26	134	185
Depreciation	21	5	1	30	2	92	151

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
2Q17							
Total income	808	794	202	232	376	(14)	2,398
Operating profit before allowances and amortisation	340	534	136	99	312	(15)	1,406
Amortisation of intangible assets	(4)	–	–	(10)	(13)	–	(27)
Write-back/(allowances and impairment) for loans and other assets	(16)	(105)	(2)	2	(3)	(45)	(169)
Operating profit after allowances and amortisation	320	429	134	91	296	(60)	1,210
Other information:							
Capital expenditure	7	1	0	3	10	34	55
Depreciation	11	2	1	16	0	47	77
2Q16							
Total income	684	749	174	207	188	46	2,048
Operating profit before allowances and amortisation	267	490	105	98	135	21	1,116
Amortisation of intangible assets	(2)	–	–	(11)	(11)	–	(24)
Write-back/(allowances and impairment) for loans and other assets	(29)	(36)	(1)	7	(4)	(25)	(88)
Operating profit after allowances and amortisation	236	454	104	94	120	(4)	1,004
Other information:							
Capital expenditure	10	1	0	2	11	80	104
Depreciation	10	3	0	15	1	46	75
1Q17							
Total income	776	742	181	226	314	10	2,249
Operating profit before allowances and amortisation	331	490	115	90	252	(2)	1,276
Amortisation of intangible assets	(4)	–	–	(11)	(11)	–	(26)
Write-back/(allowances and impairment) for loans and other assets	(14)	(134)	(6)	6	(4)	(16)	(168)
Operating profit after allowances and amortisation	313	356	109	85	237	(18)	1,082
Other information:							
Capital expenditure	8	0	0	2	14	28	52
Depreciation	10	3	0	17	1	47	78

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
At 30 June 2017							
Segment assets	103,313	123,955	76,029	50,138	77,460	16,858	447,753
Unallocated assets							1,022
Elimination							(19,174)
Total assets							429,601
Segment liabilities	114,470	102,935	54,035	42,452	67,816	23,780	405,488
Unallocated liabilities							2,572
Elimination							(19,174)
Total liabilities							388,886
Other information:							
Gross non-bank loans	87,255	115,807	1,354	29,977	50	(5,638)	228,805
NPAs	599	2,256	–	269	3	(207)	2,920
At 31 March 2017							
Segment assets	102,852	121,325	81,328	50,262	75,209	16,023	446,999
Unallocated assets							979
Elimination							(20,993)
Total assets							426,985
Segment liabilities	115,548	103,413	58,029	42,576	65,730	19,715	405,011
Unallocated liabilities							2,536
Elimination							(20,993)
Total liabilities							386,554
Other information:							
Gross non-bank loans	85,621	113,706	1,326	29,879	51	(5,780)	224,803
NPAs	582	2,219	–	247	3	(181)	2,870
At 31 December 2016							
Segment assets	104,482	115,471	72,186	50,075	71,912	18,011	432,137
Unallocated assets							1,005
Elimination							(23,258)
Total assets							409,884
Segment liabilities	116,963	104,612	49,553	42,212	62,951	14,969	391,260
Unallocated liabilities							2,240
Elimination							(23,258)
Total liabilities							370,242
Other information:							
Gross non-bank loans	83,802	110,111	1,384	30,389	52	(5,586)	220,152
NPAs	573	2,222	–	268	10	(187)	2,886
At 30 June 2016							
Segment assets	91,239	107,968	78,493	39,194	69,264	25,390	411,548
Unallocated assets							763
Elimination							(16,636)
Total assets							395,675
Segment liabilities	103,756	100,089	52,265	32,972	60,713	21,918	371,713
Unallocated liabilities							2,251
Elimination							(16,636)
Total liabilities							357,328
Other information:							
Gross non-bank loans	77,639	102,393	1,934	25,135	51	(1,667)	205,485
NPAs	501	1,905	–	180	7	(105)	2,488

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	1H17		1H16		2Q17		2Q16		1Q17	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
Total income										
Singapore	2,789	60	2,352	57	1,422	59	1,152	56	1,367	61
Malaysia	634	14	655	16	323	13	340	16	311	14
Indonesia	406	9	358	9	209	9	181	9	197	9
Greater China	633	13	605	15	344	14	301	15	289	13
Other Asia Pacific	79	2	69	2	41	2	37	2	38	1
Rest of the World	106	2	69	1	59	3	37	2	47	2
	4,647	100	4,108	100	2,398	100	2,048	100	2,249	100
Profit before income tax										
Singapore	1,396	55	1,082	50	767	58	507	46	629	53
Malaysia	381	15	404	19	182	14	214	19	199	17
Indonesia	156	6	137	6	75	6	76	7	81	7
Greater China	490	20	475	22	256	19	253	23	234	19
Other Asia Pacific	45	2	42	2	19	1	29	3	26	2
Rest of the World	57	2	19	1	30	2	28	2	27	2
	2,525	100	2,159	100	1,329	100	1,107	100	1,196	100

	30 Jun 2017		31 Mar 2017		31 Dec 2016		30 Jun 2016	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
Total assets								
Singapore	245,535	57	240,755	56	229,752	56	222,031	56
Malaysia	61,387	14	61,012	14	60,412	15	62,805	16
Indonesia	14,769	4	15,210	4	14,946	4	13,214	3
Greater China	77,282	18	77,749	18	75,563	18	69,664	18
Other Asia Pacific	13,490	3	13,211	3	12,007	3	10,801	3
Rest of the World	17,138	4	19,048	5	17,204	4	17,160	4
	429,601	100	426,985	100	409,884	100	395,675	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2Q17, Singapore accounted for 59% of total income and 58% of pre-tax profit, while Malaysia accounted for 13% of total income and 14% of pre-tax profit. Greater China accounted for 14% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore was S\$767 million in 2Q17, an increase of 51% from S\$507 million a year ago, driven by higher net interest income and non-interest income. Malaysia's pre-tax profit was S\$182 million, 15% lower from S\$214 million in 2Q16, as growth in fee and trading income were offset by an increase in allowances. Pre-tax profit for Greater China of S\$256 million was up 2% from S\$253 million a year ago, mainly attributable to an increase in net interest income.

1H17 pre-tax profit for Singapore was S\$1.40 billion, up 29% from S\$1.08 billion a year ago, mainly attributable to broad-based income growth which more than offset an increase in operating expenses and allowances. Malaysia's pre-tax profit declined 6% to S\$381 million from S\$404 million, as higher fee income and lower operating expenses were offset by an increase in allowances. Pre-tax profit for Greater China was 3% higher at S\$490 million, from S\$475 million a year ago, led by higher fee income and lower operating expenses.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

S\$ million	1H17	1H16	+ / (-)	2Q17	2Q16	+ / (-)	1Q17	+ / (-)
			%			%		%
Interest income	4,358	4,250	3	2,241	2,094	7	2,117	6
Interest expense	(1,741)	(1,683)	3	(896)	(834)	7	(845)	6
Net interest income	2,617	2,567	2	1,345	1,260	7	1,272	6
Premium income	4,943	4,276	16	2,350	2,178	8	2,593	(9)
Investment income	2,052	874	135	941	544	73	1,111	(15)
Net claims, surrenders and annuities	(2,485)	(2,368)	5	(1,296)	(1,205)	7	(1,189)	9
Change in life assurance fund contract liabilities	(3,202)	(2,005)	60	(1,347)	(1,064)	26	(1,855)	(27)
Commission and others	(892)	(586)	52	(408)	(345)	18	(484)	(16)
Profit from life assurance	416	191	118	240	108	123	176	37
Premium income from general insurance	73	77	(6)	38	38	(1)	35	9
Fees and commissions (net)	973	791	23	492	417	18	481	2
Dividends	42	38	8	27	27	(2)	15	75
Rental income	41	45	(9)	20	22	(9)	21	(3)
Other income	485	399	22	236	176	34	249	(5)
Non-interest income	2,030	1,541	32	1,053	788	34	977	8
Total income	4,647	4,108	13	2,398	2,048	17	2,249	7
Staff costs	(1,221)	(1,161)	5	(619)	(583)	6	(602)	3
Other operating expenses	(744)	(694)	7	(373)	(349)	7	(371)	1
Total operating expenses	(1,965)	(1,855)	6	(992)	(932)	6	(973)	2
Operating profit before allowances and amortisation	2,682	2,253	19	1,406	1,116	26	1,276	10
Amortisation of intangible assets	(53)	(48)	10	(27)	(24)	10	(26)	–
Allowances for loans and impairment for other assets	(337)	(255)	32	(169)	(88)	93	(168)	1
Operating profit after allowances and amortisation	2,292	1,950	18	1,210	1,004	20	1,082	12
Share of results of associates	233	209	12	119	103	17	114	5
Profit before income tax	2,525	2,159	17	1,329	1,107	20	1,196	11
Income tax expense	(354)	(340)	4	(185)	(181)	2	(169)	9
Profit for the period	2,171	1,819	19	1,144	926	24	1,027	11
Profit attributable to:								
Equity holders of the Bank	2,056	1,741	18	1,083	885	22	973	11
Non-controlling interests	115	78	47	61	41	51	54	14
	2,171	1,819	19	1,144	926	24	1,027	11
Earnings per share (for the period – cents)								
Basic	48.4	41.5		25.4	21.0		23.0	
Diluted	48.4	41.5		25.4	21.0		23.0	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

S\$ million	1H17	1H16	+ / (-) %	2Q17	2Q16	+ / (-) %	1Q17	+ / (-) %
Profit for the period	2,171	1,819	19	1,144	926	24	1,027	11
Other comprehensive income:								
Available-for-sale financial assets								
Gains/(losses) for the period	385	157	144	146	54	169	239	(39)
Reclassification of (gains)/losses to income statement								
– on disposal	(92)	(102)	10	(53)	(43)	(23)	(39)	(37)
– on impairment	25	24	7	5	20	(73)	20	(74)
Tax on net movements	(38)	(3)	nm	(7)	(4)	(77)	(31)	77
Exchange differences on translating foreign operations	(390)	(205)	(90)	(78)	(60)	(29)	(312)	75
Defined benefit plans remeasurements ^{1/}	0	0	(46)	0	0	(65)	0	2
Other comprehensive income of associates	(146)	(148)	2	(23)	(53)	57	(123)	81
Total other comprehensive income, net of tax	(256)	(277)	8	(10)	(86)	88	(246)	96
Total comprehensive income for the period, net of tax	1,915	1,542	24	1,134	840	35	781	45
Total comprehensive income attributable to:								
Equity holders of the Bank	1,797	1,463	23	1,072	795	35	725	48
Non-controlling interests	118	79	50	62	45	38	56	11
	1,915	1,542	24	1,134	840	35	781	45

Note:

1. Item that will not be reclassified to income statement.

BALANCE SHEETS (UNAUDITED)

S\$ million	GROUP				BANK			
	30 Jun 2017 [@]	31 Mar 2017 [@]	31 Dec 2016	30 Jun 2016 [@]	30 Jun 2017 [@]	31 Mar 2017 [@]	31 Dec 2016	30 Jun 2016 [@]
EQUITY								
Attributable to equity holders of the Bank								
Share capital	15,106	15,113	15,107	15,106	15,106	15,113	15,107	15,106
Other equity instruments	499	499	499	499	499	499	499	499
Capital reserves	323	592	572	512	114	110	106	102
Fair value reserves	330	267	156	310	99	69	8	129
Revenue reserves	21,765	21,307	20,673	19,348	12,849	12,853	12,561	12,035
	38,023	37,778	37,007	35,775	28,667	28,644	28,281	27,871
Non-controlling interests	2,692	2,653	2,635	2,572	–	–	–	–
Total equity	40,715	40,431	39,642	38,347	28,667	28,644	28,281	27,871
LIABILITIES								
Deposits of non-bank customers	264,421	265,044	261,486	246,274	162,545	162,411	155,753	153,044
Deposits and balances of banks	11,734	14,543	10,740	14,035	9,055	12,137	9,090	12,106
Due to subsidiaries	–	–	–	–	16,684	18,986	16,289	9,899
Due to associates	212	212	206	395	79	111	127	142
Trading portfolio liabilities	507	765	598	521	507	688	581	495
Derivative payables	5,433	5,337	7,474	6,772	4,432	4,266	6,008	5,625
Other liabilities	5,851	5,804	5,590	5,338	1,712	1,725	1,747	1,598
Current tax	1,007	1,016	914	979	421	458	388	448
Deferred tax	1,565	1,520	1,325	1,271	50	48	51	50
Debt issued	31,331	27,746	19,947	22,062	31,753	27,394	19,532	22,263
	322,061	321,987	308,280	297,647	227,238	228,224	209,566	205,670
Life assurance fund liabilities	66,825	64,567	61,962	59,681	–	–	–	–
Total liabilities	388,886	386,554	370,242	357,328	227,238	228,224	209,566	205,670
Total equity and liabilities	429,601	426,985	409,884	395,675	255,905	256,868	237,847	233,541
ASSETS								
Cash and placements with central banks	15,244	19,410	16,559	15,793	10,190	14,249	11,365	10,289
Singapore government treasury bills and securities	10,436	10,003	8,066	9,058	10,065	9,642	7,702	8,764
Other government treasury bills and securities	16,189	17,495	16,298	16,996	7,055	7,490	7,164	9,620
Placements with and loans to banks	44,850	45,278	39,801	43,663	35,173	35,978	31,210	34,999
Loans and bills receivable	225,355	221,459	216,830	202,521	137,805	134,712	131,874	124,096
Debt and equity securities	24,586	23,463	23,157	22,768	13,259	12,568	11,612	11,567
Assets pledged	2,176	1,842	1,789	1,974	1,463	917	936	867
Assets held for sale	35	36	28	8	1	2	1	8
Derivative receivables	5,982	5,375	7,838	6,595	4,943	4,309	6,352	5,509
Other assets	5,576	5,213	4,889	4,957	1,610	1,505	1,591	1,786
Deferred tax	189	183	196	140	70	66	64	52
Associates	2,439	2,445	2,415	2,209	595	593	595	596
Subsidiaries	–	–	–	–	30,657	31,807	24,333	22,349
Property, plant and equipment	3,407	3,497	3,479	3,344	614	634	649	626
Investment property	973	962	1,093	1,147	538	529	532	546
Goodwill and intangible assets	5,291	5,351	5,473	5,046	1,867	1,867	1,867	1,867
	362,728	362,012	347,911	336,219	255,905	256,868	237,847	233,541
Life assurance fund investment assets	66,873	64,973	61,973	59,456	–	–	–	–
Total assets	429,601	426,985	409,884	395,675	255,905	256,868	237,847	233,541
Net Asset Value Per Ordinary Share[@] (before valuation surplus – S\$)								
	8.73	8.67	8.49	8.19	6.49	6.49	6.40	6.30
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	9,640	9,854	11,145	8,552	6,881	7,062	8,273	6,047
Commitments ^{2/}	124,607	118,068	119,965	110,400	77,167	73,205	55,561	60,300
Derivative financial instruments	902,587	817,939	684,961	635,540	769,125	695,585	580,952	543,238

Note:

1. “@” represents unaudited.

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the half year ended 30 June 2017

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 January 2017	15,606	572	156	20,673	37,007	2,635	39,642
Total comprehensive income for the period	–	–	174	1,623	1,797	118	1,915
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	(250)	–	250	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(61)	(61)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Distributions for perpetual capital securities	–	–	–	(9)	(9)	–	(9)
Ordinary and preference dividends	–	–	–	(774)	(774)	–	(774)
Share-based staff costs capitalised	–	8	–	–	8	–	8
Share buyback held in treasury	(107)	–	–	–	(107)	–	(107)
Shares issued to non-executive directors	0	–	–	–	0	–	0
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	49	–	–	49	–	49
Treasury shares transferred/sold	106	(53)	–	–	53	–	53
Total contributions by and distributions to owners	(1)	(249)	–	(531)	(781)	(61)	(842)
Balance at 30 June 2017	15,605	323	330	21,765	38,023	2,692	40,715
Included:							
Share of reserves of associates	–	–	(57)	900	843	(1)	842
Balance at 1 January 2016	15,059	527	234	18,733	34,553	2,558	37,111
Total comprehensive income for the period	–	–	76	1,387	1,463	79	1,542
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	3	–	(3)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(65)	(65)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Distributions for perpetual capital securities	–	–	–	(10)	(10)	–	(10)
Ordinary and preference dividends	–	–	–	(177)	(177)	–	(177)
Share-based staff costs capitalised	–	7	–	–	7	–	7
Share buyback held in treasury	(112)	–	–	–	(112)	–	(112)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	43	–	–	43	–	43
Treasury shares transferred/sold	73	(65)	–	–	8	–	8
Total contributions by and distributions to owners	546	(15)	–	(772)	(241)	(65)	(306)
Balance at 30 June 2016	15,605	512	310	19,348	35,775	2,572	38,347
Included:							
Share of reserves of associates	–	–	67	562	629	(0)	629

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the three months ended 30 June 2017

S\$ million	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 April 2017	15,612	592	267	21,307	37,778	2,653	40,431
Total comprehensive income for the period	–	–	63	1,009	1,072	62	1,134
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	(221)	–	221	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(23)	(23)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary and preference dividends	–	–	–	(774)	(774)	–	(774)
Share-based staff costs capitalised	–	4	–	–	4	–	4
Share buyback held in treasury	(90)	–	–	–	(90)	–	(90)
Shares issued to non-executive directors	0	–	–	–	0	–	0
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	4	–	–	4	–	4
Treasury shares transferred/sold	83	(53)	–	–	30	–	30
Total contributions by and distributions to owners	(7)	(269)	–	(551)	(827)	(23)	(850)
Balance at 30 June 2017	15,605	323	330	21,765	38,023	2,692	40,715
Included:							
Share of reserves of associates	–	–	(57)	900	843	(1)	842
Balance at 1 April 2016	15,017	573	286	19,336	35,212	2,554	37,766
Total comprehensive income for the period	–	–	24	771	795	45	840
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	0	–	(0)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(27)	(27)
DSP reserve from dividends on unvested shares	–	–	–	2	2	–	2
Ordinary and preference dividends	–	–	–	(177)	(177)	–	(177)
Share-based staff costs capitalised	–	4	–	–	4	–	4
Share buyback held in treasury	(62)	–	–	–	(62)	–	(62)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(3)	–	–	(3)	–	(3)
Shares vested under DSP Scheme	–	3	–	–	3	–	3
Treasury shares transferred/sold	65	(65)	–	–	0	–	0
Total contributions by and distributions to owners	588	(61)	–	(759)	(232)	(27)	(259)
Balance at 30 June 2016	15,605	512	310	19,348	35,775	2,572	38,347
Included:							
Share of reserves of associates	–	–	67	562	629	(0)	629

STATEMENT OF CHANGES IN EQUITY – BANK (UNAUDITED)

For the half year ended 30 June 2017

S\$ million	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2017	15,606	106	8	12,561	28,281
Total comprehensive income for the period	–	–	91	1,069	1,160
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(774)	(774)
Distributions for perpetual capital securities	–	–	–	(9)	(9)
Share-based staff costs capitalised	–	8	–	–	8
Share buyback held in treasury	(107)	–	–	–	(107)
Shares issued to non-executive directors	0	–	–	–	0
Treasury shares transferred/sold	106	–	–	–	106
Balance at 30 June 2017	15,605	114	99	12,849	28,667
Balance at 1 January 2016	15,059	95	38	11,545	26,737
Total comprehensive income for the period	–	–	91	1,259	1,350
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(177)	(177)
Distributions for perpetual capital securities	–	–	–	(10)	(10)
Share-based staff costs capitalised	–	7	–	–	7
Share buyback held in treasury	(112)	–	–	–	(112)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	73	–	–	–	73
Balance at 30 June 2016	15,605	102	129	12,035	27,871

For the three months ended 30 June 2017

S\$ million	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 April 2017	15,612	110	69	12,853	28,644
Total comprehensive income for the period	–	–	30	768	798
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(774)	(774)
Share-based staff costs capitalised	–	4	–	–	4
Share buyback held in treasury	(90)	–	–	–	(90)
Shares issued to non-executive directors	0	–	–	–	0
Treasury shares transferred/sold	83	–	–	–	83
Balance at 30 June 2017	15,605	114	99	12,849	28,667
Balance at 1 April 2016	15,017	98	131	11,894	27,140
Total comprehensive income for the period	–	–	(2)	900	898
DSP reserve from dividends on unvested shares	–	–	–	2	2
Ordinary and preference dividends	–	–	–	(177)	(177)
Share-based staff costs capitalised	–	4	–	–	4
Share buyback held in treasury	(62)	–	–	–	(62)
Shares issued in-lieu of ordinary dividends	584	–	–	(584)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	65	–	–	–	65
Balance at 30 June 2016	15,605	102	129	12,035	27,871

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 30 June 2017

S\$ million	1H17	1H16	2Q17	2Q16
Cash flows from operating activities				
Profit before income tax	2,525	2,159	1,329	1,107
Adjustments for non-cash items:				
Amortisation of intangible assets	53	48	27	24
Allowances for loans and impairment for other assets	337	255	169	88
Change in hedging transactions, trading, fair value through profit and loss securities and debt issued	(46)	(38)	(9)	(2)
Depreciation of property, plant and equipment and investment property	155	151	77	75
Net gain on disposal of property, plant and equipment and investment property	(30)	(27)	(6)	(7)
Net gain on disposal of government, debt and equity securities	(119)	(103)	(54)	(44)
Net (gain)/loss on disposal of interests in subsidiaries	(20)	19	(20)	19
Share-based costs	27	7	14	4
Share of results of associates	(233)	(209)	(119)	(103)
Items relating to life assurance fund				
Surplus before income tax	673	179	319	145
Surplus transferred from life assurance fund	(416)	(191)	(240)	(108)
Operating profit before change in operating assets and liabilities	2,906	2,250	1,487	1,198
Change in operating assets and liabilities:				
Deposits of non-bank customers	2,941	57	(623)	4,020
Deposits and balances of banks	994	1,988	(2,809)	188
Derivative payables and other liabilities	(2,570)	972	(77)	268
Trading portfolio liabilities	(91)	(123)	(258)	(102)
Government securities and treasury bills	(2,176)	(5,088)	895	(2,167)
Restricted balances with central banks	(150)	238	(94)	(449)
Trading and fair value through profit and loss securities	(111)	(451)	75	(72)
Placements with and loans to banks	(5,169)	(7,798)	68	(8,000)
Loans and bills receivable	(8,881)	4,999	(4,125)	2,503
Derivative receivables and other assets	1,708	(291)	(696)	188
Net change in investment assets and liabilities of life assurance fund	(9)	188	347	191
Cash used in operating activities	(10,608)	(3,059)	(5,810)	(2,234)
Income tax paid	(312)	(352)	(225)	(241)
Net cash used in operating activities	(10,920)	(3,411)	(6,035)	(2,475)
Cash flows from investing activities				
Dividends from associates	0	25	0	24
Decrease/(increase) in associates	57	147	(3)	53
Purchases of debt and equity securities	(11,823)	(6,277)	(5,662)	(3,270)
Purchases of property, plant and equipment and investment property	(107)	(185)	(55)	(104)
Proceeds from disposal of debt and equity securities	10,233	6,401	4,523	3,210
Proceeds from disposal of interests in subsidiaries	53	23	53	23
Proceeds from disposal of property, plant and equipment and investment property	60	39	9	14
Net cash (used in)/from investing activities	(1,527)	173	(1,135)	(50)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(774)	(177)	(774)	(177)
Distributions and dividends paid to non-controlling interests	(61)	(65)	(23)	(27)
Redemption of subordinated debt issued	(650)	–	(650)	–
Net issuance/(redemption) of other debt issued	12,824	(1,281)	4,445	1,133
Distributions for perpetual capital securities	(9)	(10)	–	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	53	8	30	0
Share buyback held in treasury	(107)	(112)	(90)	(62)
Net cash from/(used in) financing activities	11,276	(1,637)	2,938	867
Net currency translation adjustments	(294)	(274)	(28)	(136)
Net change in cash and cash equivalents	(1,465)	(5,149)	(4,260)	(1,794)
Cash and cash equivalents at beginning of period	11,176	15,901	13,971	12,546
Cash and cash equivalents at end of period	9,711	10,752	9,711	10,752

SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

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

Number of Shares	Half year ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
Issued ordinary shares				
Balance at beginning of period	4,193,729,363	4,121,561,367	4,193,729,363	4,121,561,367
Shares issued to non-executive directors	55,098	57,584	55,098	57,584
Shares issued pursuant to Scrip Dividend Scheme	–	72,110,412	–	72,110,412
Balance at end of period	4,193,784,461	4,193,729,363	4,193,784,461	4,193,729,363
Treasury shares				
Balance at beginning of period	(11,022,010)	(6,085,703)	(9,939,889)	(10,744,339)
Share buyback	(10,400,000)	(12,964,000)	(8,600,000)	(7,200,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	5,383,448	1,200,573	2,503,125	99,370
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	723,915	22,637	722,117	18,476
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	5,071,207	7,151,688	5,071,207	7,151,688
Balance at end of period	(10,243,440)	(10,674,805)	(10,243,440)	(10,674,805)
Total	4,183,541,021	4,183,054,558	4,183,541,021	4,183,054,558

Pursuant to the share purchase mandate approved at the annual general meeting held on 28 April 2017, the Bank purchased a total of 8,600,000 ordinary shares in the second quarter ended 30 June 2017. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S\$9.56 to S\$10.95 per share and the total consideration paid was S\$89,704,007 (including transaction costs).

From 1 April 2017 to 30 June 2017 (both dates inclusive), the Bank utilised 2,503,125 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 (“SOS 2001”). As of 30 June 2017, the number of options outstanding under the OCBC SOS 2001 was 44,735,860 (30 June 2016: 41,955,607).

From 1 April 2017 to 30 June 2017 (both dates inclusive), the Bank utilised 722,117 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan (“ESPP”). As of 30 June 2017, the number of acquisition rights outstanding under the OCBC ESPP was 13,816,172 (30 June 2016: 11,967,394).

From 1 April 2017 to 30 June 2017 (both dates inclusive), the Bank transferred 5,071,207 treasury shares to the Trust administering the OCBC Deferred Share Plan following the Bank’s award of deferred shares to employees of the Group.

No new preference shares were allotted and issued by the Bank in the second quarter ended 30 June 2017.

OTHER MATTERS

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

CONFIRMATION BY THE BOARD

We, Ooi Sang Kuang and Samuel N. Tsien, being directors of Oversea-Chinese Banking Corporation Limited ("the Bank"), do hereby confirm on behalf of the Board of Directors of the Bank, that to the best of our knowledge, nothing has come to our attention which may render the unaudited financial results of the Bank and of the Group for the quarter ended 30 June 2017 to be false or misleading.

On behalf of the Board of Directors



Ooi Sang Kuang
Chairman



Samuel N. Tsien
Chief Executive Officer / Director

26 July 2017