

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OR (2) PERSONS OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: By accepting the e-mail and accessing the attached offering memorandum you shall be deemed to have represented that (1) (i) you are not in the United States and, to the extent you will purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933 (the “**Securities Act**”) OR (ii) you are acting on behalf of, or you are, a qualified institutional buyer (“**QIB**”), as defined in Rule 144A under the Securities Act, AND (2) you consent to the delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission.

The attached offering memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Oversea-Chinese Banking Corporation Limited, Merrill Lynch (Singapore) Pte. Ltd. and J.P. Morgan (S.E.A.) Limited or any of their respective directors, employees, representatives, affiliates or agents accept any liability or responsibility whatsoever in respect of any discrepancies between the offering memorandum distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached document is an offering memorandum and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED TO AND MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Oversea-Chinese Banking Corporation Limited

(incorporated with limited liability in the Republic of Singapore)
(Company Registration Number: 193200032W)

U.S.\$10,000,000 Global Medium Term Note Program

Under the Global Medium Term Note Program described in this Offering Memorandum (the "**Program**"), Oversea-Chinese Banking Corporation Limited and any of its branches outside Singapore, including but not limited to its Sydney branch, ("**OCBC Bank**" or the "**Issuer**"), and certain other companies in and outside Singapore that are subsidiaries of OCBC Bank (each, a "**Specified Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The Notes may include Subordinated Notes (as defined herein) issued by the Issuer which may qualify as regulatory capital of the Issuer. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$10,000,000,000 (or the equivalent in other currencies and subject to such increase as provided herein).

Application has been made for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The relevant pricing supplement in respect of any issue of Notes (a "**Pricing Supplement**") will specify whether or not such Notes will be listed on the SGX-ST or any other stock exchange. There is no guarantee that an application to the SGX-ST will be approved. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Program or such Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Memorandum.

The Program provides that Notes may be listed on such stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer (as defined herein). Unlisted Notes may be issued pursuant to the Program.

In connection with the proposed issue of Senior Notes (as defined herein) by a Specified Issuer, such Specified Issuer will have executed an accession letter agreeing to be bound by all the terms of the Program Agreement (as defined herein) and a deed of accession agreeing to be bound by all the terms of the Agency Agreement (as defined herein) and the Trust Deed (as defined herein), respectively. In connection with the proposed issue of Senior Notes denominated in Australian dollars and issued in the Australian domestic capital market ("**AMTNs**") by a Specified Issuer, such Specified Issuer will have executed an accession letter agreeing to be bound by all the terms of the Australian Agency Agreement and a Note (AMTN) Deed Poll (each as defined herein). From and after execution and delivery of such letters and documents, such Specified Issuer shall become and be treated as an "Issuer" for the purposes of the Program Documents (as defined herein) and this Offering Memorandum. References herein to "Issuer" are references to the relevant Specified Issuer in respect of (and only to the extent of) the Senior Notes issued by it and in respect of the Program Documents only to the extent that it is bound by them and such references specifically exclude any other Specified Issuer. The liability of the Specified Issuer under the Senior Notes and each of the Program Documents is several and is separate in respect of each Series (as defined herein). No Specified Issuer shall be responsible for the obligations of any other Specified Issuer under any Senior Notes issued by such Specified Issuer, or any of the Program Documents.

Each Tranche (as defined in "Summary of the Program") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") and, together with the Temporary Global Notes, the "**Global Notes**" and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the Securities Act of 1933 (the "**Securities Act**"). Interests in a Temporary Global Note generally will be exchangeable for interests in a Permanent Global Note, or if so stated in the applicable Pricing Supplement, definitive Notes ("**Definitive Notes**"), on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche, in each case, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes as described under "Summary of Provisions Relating to the Notes while in Global Form".

Notes to be issued in registered form ("**Registered Notes**") (other than AMTNs) will be represented by registered certificates (each a "**Certificate**"), without interest coupons, with one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. AMTNs will be issued in registered certificated form, and will take the form of entries on a register established and maintained by a registrar in Australia and may be lodged with the clearing system ("**Austraclear System**") operated by Austraclear Ltd ("**Austraclear**"). Each Tranche of AMTNs will be represented by a certificate without coupons (each an "**AMTN Certificate**"), which shall be issued by the Issuer in respect of each Tranche of AMTNs. Registered Notes which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**"), will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date: (a) with, and registered in the name of, a common depository on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), with The Central Depository (Pte) Limited ("**CDP**") or with a sub-custodian for the Central Moneymarkets Unit Service ("**CMU**") operated by the Hong Kong Monetary Authority ("**HKMA**"); and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, CDP or the CMU, or delivered outside a clearing system, as agreed between the Issuer, the Issuing and Paying Agent (as defined herein), the Trustee (as defined herein) and the relevant Dealer. Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**") and, together with the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which may be deposited on the relevant issue date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust & Clearing Corporation ("**DTC**"). The provisions governing the exchange of interests in Global Certificates for other Global Certificates or Definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form". Certain provisions governing restrictions on transfer of Registered Notes are described in "Transfer Restrictions".

In relation to any Tranche, the aggregate nominal amount of the Notes of such Tranche, the interest (if any) payable in respect of the Notes of such Tranche, the issue price and any other terms and conditions not contained herein which are applicable to such Tranche will be set out in a Pricing Supplement which, with respect to Notes to be listed, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THE NOTES ARE BEING SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S) IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO QIBS IN RELIANCE ON RULE 144A.

Notes issued under the Program may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Memorandum.

This Offering Memorandum is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC.

Arrangers and Dealers

Oversea-Chinese Banking
Corporation Limited

BofA Merrill Lynch

J.P. Morgan

If you are in any doubt about this Offering Memorandum, you should consult your broker, dealer, bank manager, solicitor, certified public accountant or other professional advisor. By accepting delivery of this document, you agree to the conditions described below.

This document is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below).

This document is confidential and is being furnished by us in connection with an offering exempt from registration under the Securities Act solely for you to consider the purchase of the Notes described in this document. The information contained in this document has been provided by us and from other sources identified in this document. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information in this document for any purpose other than considering an investment in the Notes, is prohibited.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any Issuer, or any of the Arrangers, the Dealers, the Trustee or any Agent (each as defined in “Summary of the Program”). Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Program is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Memorandum or any Pricing Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum or any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Offering Memorandum, see “Plan of Distribution” and “Transfer Restrictions” and the applicable Pricing Supplement.

THE NOTES MAY BE OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATIONS AND/OR WITHIN THE UNITED STATES TO QIBS IN RELIANCE ON RULE 144A. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF REGISTERED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. ANY SERIES OF NOTES MAY BE SUBJECT TO ADDITIONAL SELLING RESTRICTIONS. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE “PLAN OF DISTRIBUTION” AND “TRANSFER RESTRICTIONS” AND THE APPLICABLE PRICING SUPPLEMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES. THIS DOCUMENT DOES NOT CONTAIN ALL OF THE INFORMATION THAT WOULD BE INCLUDED IN AN OFFERING MEMORANDUM IF THE OFFERING OF THE NOTES WERE REGISTERED UNDER THE SECURITIES ACT.

Neither this Offering Memorandum nor any information supplied in connection with the Program constitutes an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

OCBC Bank was granted the authority to carry on banking business in Australia under the Banking Act 1959 of Australia (the "Australian Banking Act") by the Australian Prudential Regulation Authority ("APRA"). The depositor protection provisions of Division 2 of Part II of the Australian Banking Act do not apply to OCBC Bank (including OCBC Bank acting through its Sydney branch). However, under Section 11F of the Australian Banking Act, if OCBC Bank (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, the assets of OCBC Bank in Australia are to be available to meet its liabilities in Australia (including where those liabilities are in respect of AMTNs issued by OCBC Bank acting through its Sydney branch) in priority to all other liabilities of OCBC Bank. Further, under Section 86 of the Reserve Bank Act 1959 of Australia, debts due by OCBC Bank to the Reserve Bank of Australia shall in any winding-up of OCBC Bank have priority over all other debts of OCBC Bank.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

OCBC Bank is authorized by the Financial Services Authority under the Financial Services and Markets Act 2000, as amended (the "FSMA") in the United Kingdom.

This Offering Memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA") (the "EU Prospectus Directive"). This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of Notes which are the subject of any offering contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for OCBC Bank, or any of the Dealers to produce a prospectus for such offers.

CERTAIN DEFINITIONS, CONVENTIONS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this document, references to “**we**”, “**our**” and “**us**” mean, as the context requires, Oversea-Chinese Banking Corporation Limited on an unconsolidated basis or Oversea-Chinese Banking Corporation Limited and its subsidiaries on a consolidated basis. References to “**OCBC Bank**” or “**the Issuer**” are to Oversea-Chinese Banking Corporation Limited on an unconsolidated basis and references to “**OCBC Group**”, “**the Group**” or “**our Group**” are to OCBC Bank and its subsidiaries on a consolidated basis.

Rounding adjustments have been made in calculating some of the financial and operating information included in this document. As a result, numerical figures shown as total amounts in some tables may not be exact arithmetic aggregations of the figures that make up such total amounts.

Unless otherwise specified or required by the context: references to “**days**” are to calendar days; references to “**years**” are to calendar years; references to “**China**” are to the People’s Republic of China and to “**Greater China**” are to China, Hong Kong and Taiwan; references to “**Singapore dollars**” or “**S\$**” are to the lawful currency of Singapore; references to “**Ringgit**” or “**MYR**” are to the lawful currency of Malaysia; references to “**U.S.\$**” or “**U.S. dollars**” are to the lawful currency of the United States; references to “**Indonesian Rupiah**” or “**IDR**” are to the lawful currency of the Republic of Indonesia; references to “**Renminbi**” or “**RMB**” are to the lawful currency of the People’s Republic of China; all references to “**HK\$**” or “**Hong Kong dollars**” are to the lawful currency of Hong Kong and references to “**AUD**” and “**A\$**” are to the lawful currency of Australia. For convenience, certain Singapore dollar amounts relating to the year ended December 31, 2013 have been translated into U.S. dollars based on our closing exchange rate of S\$1.2648 to U.S.\$1.00 on December 31, 2013. Such translations should not be construed as representations that the Singapore dollar or U.S. dollar amounts referred to herein could have been, or could be, converted into U.S. dollars or Singapore dollars, as the case may be, at that or any other rate or at all. The rate published by the Monetary Authority of Singapore (the “**MAS**”) on March 31, 2014 was S\$1.2605 = U.S.\$1.00.

In this document all of our financial information is presented on a consolidated basis, unless we state otherwise. This Offering Memorandum incorporates by reference our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012. Our audited consolidated financial statements as of and for the year ended December 31, 2013 are set forth on pages F-2 to F-137 of this Offering Memorandum.

With effect from January 1, 2012, for the purpose of financial reporting of business segment results, our businesses are presented under five main segments representing the key customer and product groups: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. The presentation has been revised in 2012 with the Global Consumer/Private Banking segment covering consumer banking, private banking and retail brokerage services, and Global Corporate/Investment Banking encompassing corporate banking, corporate finance and capital market solutions. The Global Treasury and Markets segment reflects the management of the Group’s asset and liability positions as well as trading activities, with income from products and services offered to customers reflected in the respective business segments. Prior to January 1, 2012, our businesses were presented under the following segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury, Insurance and Others. Where there are material changes in the organizational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. For the year ended December 31, 2011, the “Others” segment comprised private banking, corporate finance, capital markets, property holding, stock brokerages, investment holding and items not attributable to other business segments. For the years ended December 31, 2012 and 2013, the “Others” segment comprised property holding, investment holding and items not attributable to the other business segments.

Our financial statements are prepared in accordance with Singapore Financial Reporting Standards (“**SFRS**”), which differs in certain respects from generally accepted accounting principles in the United States (“**U.S. GAAP**”), and in other countries and from International Financial Reporting Standards (“**IFRS**”). You should consult your own professional advisors for an understanding of the differences between SFRS and U.S. GAAP, IFRS and the generally accepted accounting principles of other jurisdictions and how those differences might affect the financial information contained in this document. We do not expect to publish financial statements in accordance with U.S. GAAP or IFRS.

In order to facilitate the offering of any Tranche of Notes, one or more Dealers named as stabilizing manager(s) (the “**Stabilizing Manager(s)**”) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement, to the extent permitted by applicable laws and regulations, may engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche, including stabilizing or maintaining the market price of the Notes at a level above that which might otherwise prevail. No representation is made as to whether such stabilization activities will take place at all or the magnitude or effect of any such stabilizing or other transactions. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilization action may only be conducted outside Australia and on a market operated outside Australia.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with each applicable Pricing Supplement and all other documents which are deemed to be incorporated by reference into the relevant Offering Memorandum and in the applicable Pricing Supplement. The relevant supplemental Offering Memorandum and the applicable Pricing Supplement shall, save as specified herein and therein, be read and construed on the basis that such documents are so incorporated by reference and form part of the relevant supplemental Offering Memorandum and the applicable Pricing Supplement.

This Offering Memorandum should also be read and construed in conjunction with (i) our audited consolidated financial statements as of and for each of the two years ended December 31, 2011 and 2012 which have been previously published and filed with the Accounting and Corporate Regulatory Authority of Singapore, (ii) our most recently published audited consolidated annual financial statements which are filed with SGXNET subsequently to the date of this Offering Memorandum and (iii) any of the consolidated interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements, each of which shall be deemed to be incorporated in, and to form part of, this Offering Memorandum and which shall be deemed to modify or supersede the contents of this Offering Memorandum to the extent that a statement contained in any such document is inconsistent with such contents. Our audited consolidated financial statements as of and for the year ended December 31, 2013 are set forth on pages F-2 to F-137 of this Offering Memorandum.

Any statement contained in a document incorporated by reference into this Offering Memorandum shall be deemed to be modified or superseded to the extent that a statement contained in any subsequent document which also is incorporated by reference into this Offering Memorandum modifies or supersedes such statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Copies of documents deemed to be incorporated by reference into this Offering Memorandum may be obtained at our registered office, such other place as may also be set out in the terms and conditions of any Notes or our website¹(www.ocbc.com).

AVAILABLE INFORMATION

For so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which it is neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any QIB who is a holder or beneficial owner of such restricted securities, or to any prospective purchaser of restricted securities who is a QIB, designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

We are a company with limited liability incorporated under the laws of Singapore. Most or all of our directors, executive officers and corporate auditors are non-residents of the United States and all or a substantial portion of our assets and the assets of these non-resident persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or such non-resident persons, or to enforce against any of us judgments obtained in United States courts predicated upon the civil liability provisions of the United States federal or state securities laws. We have been advised by Allen & Gledhill LLP, our Singapore counsel, that judgments of United States courts based upon the civil liability provisions of United States federal or state securities laws are not enforceable in Singapore courts and that there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts of civil liabilities predicated solely upon the United States federal or state securities laws.

FORWARD-LOOKING STATEMENTS

This document contains in a number of places forward-looking statements regarding our intent, belief or current expectations of our management with respect to the future results of our operations and financial condition and the OCBC Group, including without limitation future loan loss provisions and financial support to borrowers. In many cases but not all, the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “would”, “could”, “plan”, “probability”, “project”, “risk”, “seek”, “should”, “future”, “target” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described here as anticipated, believed, estimated, expected or intended.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors and the differences may be material. Potential risks and uncertainties include, without limitation, the following:

¹ Website addresses in this Offering Memorandum are included for reference only and the contents of any such websites are not incorporated by reference into, and do not form part of, this Offering Memorandum.

- the health of the economies of Singapore, Malaysia, Indonesia and Greater China;
- our ability to successfully implement our strategy;
- our growth and expansion in domestic and overseas markets;
- the actual growth in demand for banking and other financial products and services in the countries in which we operate, including Singapore, Malaysia, Indonesia and Greater China;
- insufficient liquidity;
- the state of the global financial system and systemic risk arising from problems of other financial institutions;
- the constraints on our operations due to capital adequacy requirements;
- the evolving capital adequacy requirements;
- our future levels of non-performing and restructured loans;
- the adequacy of our allowance for credit losses;
- the incurrence of significant credit-related costs;
- changes in credit spreads, interest rates and exchange rates;
- our ability to roll over our short term funding sources and our exposure to credit, market and liquidity risks;
- our exposure to new risks as we expand the scope of our business;
- the success of our business alliances;
- the declines in the value of our securities portfolio;
- revisions to actuarial assumptions;
- our ability to maintain an effective system of internal controls;
- our failure to hire and retain qualified employees;
- regulatory sanctions;
- the impact of changes in banking laws and regulations and other regulatory changes in jurisdictions affecting our business; and
- our ability to maintain competitiveness.

Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We disclaim any obligation to update or to announce publicly any revision to any of the forward-looking statements contained in this document to reflect any actual events or developments. The information contained in this document, including without limitation the information under “Risk Factors”, identifies important factors in addition to those referred to above that could cause differences.

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SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes and the applicable Pricing Supplement. Words and expressions defined in the “Terms and Conditions of the Notes” (the “Conditions”) shall have the same meanings in this summary.

Issuers of Senior Notes	Oversea-Chinese Banking Corporation Limited or any of its branches outside Singapore, including but not limited to its Sydney branch, or any Specified Issuer.
Issuer of Subordinated Notes	Oversea-Chinese Banking Corporation Limited.
Description	Global Medium Term Note Program.
Size	Up to U.S.\$10,000,000,000 (or the equivalent in other currencies at the date of issue) in aggregate nominal amount of Notes outstanding at any one time.
Arrangers	Oversea-Chinese Banking Corporation Limited (other than in connection with Notes offered or sold in reliance on Rule 144A), J.P. Morgan (S.E.A.) Limited and Merrill Lynch (Singapore) Pte. Ltd.
Dealers	Oversea-Chinese Banking Corporation Limited (other than in connection with Notes offered or sold in reliance on Rule 144A), J.P. Morgan (S.E.A.) Limited and Merrill Lynch (Singapore) Pte. Ltd. The Issuer may from time to time terminate the appointment of any dealer under the Program or appoint additional dealers either in respect of one or more Tranches or in respect of the Program. References in this Offering Memorandum to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the Program (and whose appointment has not been terminated) and to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	The Bank of New York Mellon, London Branch (in respect of Notes other than AMTNs).
Issuing and Paying Agent	The Bank of New York Mellon, London Branch (in respect of Notes other than AMTNs and Notes cleared through the CMU and CDP) and BTA Institutional Services Australia Limited (in respect of AMTNs).
Exchange Agent and Transfer Agent	The Bank of New York Mellon.
CDP Paying Agent	The Bank of New York Mellon, Singapore Branch (in respect of Notes cleared through CDP).
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch (in respect of Notes cleared through the CMU).

Paying Agent in respect of AMTNs only

BTA Institutional Services Australia Limited.

Registrars

The Bank of New York Mellon (in respect of Notes other than AMTNs and Notes cleared through the CMU and CDP), The Bank of New York Mellon, Hong Kong Branch (in respect of Notes cleared through the CMU), The Bank of New York Mellon, Singapore Branch (in respect of Notes cleared through CDP) and BTA Institutional Services Australia Limited (in respect of AMTNs).

Method of Issue

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), to the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche will be identical to the terms of other Tranches of the same Series) will be set out in a Pricing Supplement.

Issue Price

Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more installments.

Form of Notes

The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) only. Registered Notes will not be exchangeable for Bearer Notes and vice versa. Subordinated Notes will only be issued in registered form.

Each Tranche of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**” and, together with the Temporary Global Notes, the “**Global Notes**”), as specified in the applicable Pricing Supplement. Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the applicable Pricing Supplement, definitive Notes (“**Definitive Notes**”), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under “Summary of Provisions Relating to the Notes while in Global Form”.

Registered Notes (other than AMTNs) will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes (other than AMTNs) that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States in reliance on Rule 144A will initially be represented by a Restricted Global Certificate.

AMTNs will be issued only as Registered Notes. AMTNs will be issued in registered certificated form and will take the form of entries on a register established and maintained by a registrar in Australia and may be lodged with the Austraclear System. Each Tranche of AMTNs will be represented by an AMTN Certificate. AMTNs will not be issued as Subordinated Notes.

Status of Senior Notes

The Senior Notes will constitute direct and unsecured obligations of the Issuer as described in "Terms and Conditions of the Notes – Status – Status of Senior Notes".

Status of Subordinated Notes

The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer as described in "Terms and Conditions of the Notes – Status – Status of Subordinated Notes".

Subordination of the Subordinated Notes

Upon the occurrence of any winding-up proceeding, the rights of the Noteholders to the payment of the principal of, and interest on, the Subordinated Notes and any other obligations in respect of the Subordinated Notes are expressly subordinated and subject in right of payment to the prior payment in full of all claims of Senior Creditors and will rank senior to the claims of the holders of all share capital of the Issuer and Additional Tier I Capital Securities and/or as otherwise specified in the applicable Pricing Supplement or in a supplement to this Offering Memorandum. The Subordinated Notes will rank *pari passu* with Tier II Capital Securities and/or as otherwise specified in the applicable Pricing Supplement or in a supplement to this Offering Memorandum.

Clearing Systems

CDP (subject to any restrictions or conditions which may be applicable as specified in the applicable Pricing Supplement), Clearstream, Luxembourg, Euroclear, DTC, the Austraclear System and/or, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the relevant Paying Agent, the Trustee and the relevant Dealer.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Maturities

Subject to compliance with all relevant laws, regulations and directives, Senior Notes may have any maturity as may be agreed between the Issuer and the relevant Dealer(s) and Subordinated Notes that qualify as Tier II Capital Securities of the Issuer will have a minimum maturity of five years.

Denomination

Definitive Notes will be in denominations as may be specified in the applicable Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer or the Specified Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies). In the case of any Notes which are to be sold in the United States in reliance on Rule 144A, the minimum Specified Denomination shall be U.S.\$200,000 (or its equivalent in any other currencies as of the date of the relevant Notes) and integral multiples of U.S.\$1,000 (or its equivalent in any other currencies) in excess thereof. In the case of Notes listed on the SGX-ST, the minimum board lot size shall be S\$200,000 (or its equivalent in any other currencies) or such other amount as may be allowed or required from time to time. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the EU Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

Notes issued in, or into, Australia may be issued in such denominations as may be agreed save that:

- (i) the aggregate consideration payable to the Issuer by each offeree is at least A\$500,000 (or the equivalent in another currency and, in either case, disregarding moneys lent by the Issuer or its associates to the purchaser) or the issue results from an offer or invitation of those Notes which otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act 2001 of the Commonwealth of Australia (the “**Australian Corporations Act**”);
- (ii) the issue is not to a “retail client” for the purposes of Section 761G of the Australian Corporations Act;
- (iii) the issue complies with all other applicable laws; and
- (iv) does not require any document to be lodged with the Australian Securities and Investments Commission or ASX Limited.

Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, EURIBOR or HIBOR (or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin; or (iii) by reference to SIBOR or SOR (or such other benchmark as may be specified in the applicable Pricing Supplement for Notes denominated in Singapore dollars) as adjusted for any applicable margin. <p>Interest periods will be specified in the applicable Pricing Supplement.</p>
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Change of Interest Basis	Notes may be converted from one interest basis to another in the manner specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the applicable Pricing Supplement.
Equity Linked Notes	Payments of principal in respect of Equity Linked Redemption Notes and interest in respect of Equity Linked Interest Notes will be calculated by reference to such shares and/or formula as may be specified in the applicable Pricing Supplement.
Credit Linked Notes	Terms applicable to Credit Linked Notes, including the applicable settlement terms upon the default of a reference entity or obligation, will appear in the applicable Pricing Supplement.
Bond Linked Notes	Payments of principal and/or interest in respect of Bond Linked Notes will be calculated by reference to such bonds and/or formula as may be specified in the applicable Pricing Supplement.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be based on such rates of exchange as may be specified in the applicable Pricing Supplement.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.

Redemption

The Pricing Supplement issued in respect of each issue of Senior Notes will indicate either that the Senior Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Senior Notes will be redeemable (in whole or in part) at the option of the Issuer and/or the Noteholders (upon giving notice to the Noteholders), on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.

The Pricing Supplement issued in respect of each issue of Subordinated Notes will indicate either (i) that the Subordinated Notes cannot be redeemed prior to their stated maturity (other than in whole, with the prior approval of the MAS at the option of the Issuer for taxation reasons) or (ii) that such Subordinated Notes will be redeemable (in whole, with the prior approval of the MAS) following a Change of Qualification Event (as defined below) on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement, (iii) that such Subordinated Notes will be redeemable (in whole, with the prior approval of the MAS) at the option of the Issuer or (iv) that such Subordinated Notes will be redeemable (in whole, with the prior approval of the MAS) on such other terms as may be indicated in the applicable Pricing Supplement.

The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable.

Redemption by Installments

The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Variation instead of Redemption of the Subordinated Notes

The Issuer may, subject to the approval of the MAS, vary the terms of the Subordinated Notes so they remain or become Qualifying Securities (as defined below) as provided in Condition 5(h).

Loss Absorption upon a Trigger Event in respect of Subordinated Notes

The applicable Pricing Supplement will specify whether “Write-off” or “Conversion” applies as the relevant Loss Absorption Option to the Subordinated Notes upon the occurrence of a Trigger Event. If “Write-off” is specified, the provisions of Conditions 6(b) and 6(c) shall apply. If “Conversion” is specified, the terms applicable thereto will be specified in the applicable Pricing Supplement.

Negative Pledge

None.

Cross Default

None.

Events of Default in respect of the Senior Notes

Events of Default for the Senior Notes are set out in Condition 10(a).

Default and Enforcement in respect of the Subordinated Notes

If a Default in respect of the payment of principal of or interest on the Subordinated Notes occurs and is continuing, the sole remedy available to the Trustee shall be the right to institute proceedings in Singapore (but not elsewhere) for the winding-up of the Issuer. If the Issuer shall default in the performance of any obligation contained in the Trust Deed or the Subordinated Notes other than a Default specified in the Conditions, the Trustee and the Noteholders shall be entitled to every right and remedy given under the Conditions and the Trust Deed or existing at law or in equity or otherwise, provided, however, that the Trustee shall have no right to enforce payment under or accelerate payment of any Subordinated Note except as provided in the Conditions and the Trust Deed.

If any court awards money damages or other restitution for any default with respect to the performance by the Issuer of its obligations contained in the Trust Deed, the payment of such money damages or other restitution shall be subject to the subordination provisions set out in the Conditions and the Trust Deed.

Rating

Each Tranche of Notes issued under the Program may be rated or unrated. When a Tranche of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.

Withholding Tax

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Taxing Jurisdiction (as defined below) or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, Receiptholders and Couponholders of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions.

Governing Law

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes will be governed by (i) English law, except for the provisions of the Subordinated Notes in relation to subordination, set-off and payment void, default and enforcement, which shall be governed by, and construed in accordance with, the laws of Singapore, (ii) the laws of New South Wales, Australia (in respect of AMTNs), or (iii) the laws of Singapore.

Listing	The SGX-ST or as otherwise specified in the applicable Pricing Supplement. As specified in the applicable Pricing Supplement, a Series of Notes may be unlisted.
Selling Restrictions	<p>United States, European Economic Area, United Kingdom, Singapore, Japan, Australia and Hong Kong. See “Plan of Distribution”.</p> <p>Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the applicable Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.</p>
Transfer Restrictions	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant Distribution Compliance Period (as defined in “Plan of Distribution”) and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “Transfer Restrictions”.
ERISA Considerations	Unless otherwise provided in the applicable Pricing Supplement, the Notes may be purchased and held by an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ ERISA ”), or by an individual retirement account or other plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “ Code ”). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of a note is consistent with its fiduciary duties under ERISA. The fiduciary of an ERISA plan, as well as any other prospective investor subject to Section 4975 of the Code or any similar law, must also determine that its purchase and holding of the Notes does not result in a non-exempt prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code or similar law. Each purchaser and transferee of a Note who is subject to ERISA and/or Section 4975 of the Code or a similar law will be deemed to have represented by its acquisition and holding of the Note that its acquisition and holding of the Notes does not constitute or give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any similar law.
Program Documents	The Agency Agreement, the Singapore Supplemental Agency Agreement, the Trust Deed, the Singapore Supplemental Trust Deed, the Program Agreement, the Singapore Supplemental Program Agreement, the Note (AMTN) Deed Poll and the Australian Agency Agreement (each as defined herein).

SUMMARY FINANCIAL AND OTHER INFORMATION

The following table sets out the summary financial and other information derived from our audited consolidated financial statements as of and for each of the three years ended December 31, 2011, 2012 and 2013 prepared in accordance with SFRS. The financial information is based on, and should be read in conjunction with, our audited consolidated financial statements as of and for the year ended December 31, 2013 and the related notes thereto which are set forth beginning on page F-2 of this Offering Memorandum and our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012 and the notes related thereto which are incorporated by reference into this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 have been audited by KPMG LLP. These financial statements differ in certain material respects from U.S. GAAP. Investors should consult their own professional advisors for an understanding of the differences between SFRS and U.S. GAAP, IFRS and the generally accepted accounting principles of other jurisdictions and how those differences might affect the financial information contained in this Offering Memorandum.

	Year ended December 31			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Summary Income statement information:				
Interest income	5,320	5,968	6,174	4,881
Interest expense	(1,910)	(2,220)	(2,291)	(1,811)
Net interest income	3,410	3,748	3,883	3,070
Premium income	6,106	6,254	7,600	6,009
Investment income	1,676	4,246	2,395	1,894
Net claims, surrenders and annuities	(4,531)	(5,376)	(6,134)	(4,850)
Change in life assurance fund contract liabilities	(1,697)	(3,066)	(1,844)	(1,458)
Commission and others	(1,171)	(1,366)	(1,418)	(1,121)
Profit from life assurance	383	692	599	474
Premium income from general insurance	125	146	157	124
Fees and commissions (net)	1,137	1,198	1,355	1,071
Dividends	88	88	75	59
Rental income	76	72	67	54
Other income	441	2,017	485	383
Non-interest income	2,250	4,213	2,738	2,165
Total income	5,660	7,961	6,621	5,235
Staff costs	(1,448)	(1,650)	(1,715)	(1,356)
Other operating costs	(982)	(1,045)	(1,069)	(845)
Total operating expenses	(2,430)	(2,695)	(2,784)	(2,201)
Operating profit before allowances and amortization	3,230	5,266	3,837	3,034
Amortization of intangible assets	(61)	(60)	(58)	(46)
Allowances for loans and impairment for other assets	(221)	(271)	(266)	(210)
Operating profit after allowances and amortization	2,948	4,935	3,513	2,778
Share of results of associates and joint ventures	7	27	54	42
Profit before income tax	2,955	4,962	3,567	2,820
Income tax expense	(476)	(699)	(597)	(472)
Profit for the year	2,479	4,263	2,970	2,348
Attributable to:				
Equity holders of OCBC Bank	2,312	3,993	2,768	2,188
Non-controlling interests	167	270	202	160

	As of December 31			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
<i>(in millions, except for percentages)</i>				
Summary Balance sheet information:				
Net loans and bills receivable ⁽¹⁾	133,557	142,376	167,854	132,712
Placements with and loans to banks	28,615	29,811	39,573	31,288
Total assets	277,758	295,943	338,448	267,590
Deposits of non-bank customers	154,555	165,139	195,974	154,945
Deposits and balances of banks	21,653	25,656	21,549	17,037
Total liabilities	252,368	267,242	310,369	245,390
Total equity	25,390	28,701	28,079	22,200
Credit quality information:				
Total non-performing loans	1,172	1,145	1,239	980
Total non-performing loans as a percentage of gross loans	0.9%	0.8%	0.7%	
Total non-performing assets	1,437	1,172	1,304	1,031
Substandard	992	717	844	667
Doubtful	305	302	312	247
Loss	140	153	148	117
Specific allowances for non-performing assets	313	305	234	185
Consolidated capital information:				
Common Equity Tier 1 capital ⁽²⁾⁽³⁾	N/A	N/A	21,884	17,302
Eligible Tier 1 capital	18,612	21,591	21,884	17,302
Eligible total capital	20,186	24,110	24,539	19,401
Total risk weighted assets	128,507	129,647	150,325	118,853
Core Tier 1 ratio ⁽²⁾⁽³⁾⁽⁴⁾	11.4%	12.8%	N/A	
CET1 CAR ⁽²⁾⁽³⁾	N/A	N/A	14.5%	
Tier 1 CAR ⁽²⁾	14.4%	16.6%	14.5%	
Total CAR ⁽²⁾	15.7%	18.5%	16.3%	

Notes:

- (1) Net of specific and portfolio allowances.
- (2) Capital adequacy ratios are computed based on MAS' transitional Basel III rules for 2013, which took effect on January 1, 2013. Capital adequacy ratios prior to January 1, 2013 were calculated in accordance with the Basel II rules and are thus not directly comparable to the ratios as of December 31, 2013.
- (3) N/A means not applicable.
- (4) Core Tier 1 ratio is the ratio of Eligible Tier 1 capital less preference shares and innovative Tier 1 capital instruments to total risk weighted assets.

RISK FACTORS

Prior to making an investment decision, investors should carefully consider, along with other matters set forth in this document, the following risk factors. These risk factors are not necessarily of equal importance, likelihood of occurrence or duration. Additionally, some risk factors may be related to others, and the occurrence of events described in one risk factor could increase the likelihood of occurrence of events described in others. The occurrence of any of the following events could have a material adverse effect on our business including our ability to grow our asset portfolio, the quality of our assets, our liquidity, our financial performance, our ability to implement our strategy and our ability to repay the interest or principal on the Notes in a timely fashion or at all. Terms used but not defined in this or prior sections have the meanings given to them in the other sections of this document.

Risks Related to the Current Financial Environment

Global and regional geo-political economic and financial conditions could adversely affect our operations, asset quality and growth and cause our business to suffer.

Since late 2007, the global economy has experienced episodes of significant downturns and liquidity disruptions. The deterioration of the financial markets contributed to a recession in the United States and a slowdown in the global economy, which has led to significant declines in employment, household wealth and consumer demand. These and other related events, such as the collapse of a number of financial institutions and other entities, rising government deficits and debt levels, the downgrading of the sovereign debt of certain member states of the European Union and the United States and austerity measures to rein in government deficit and debt, have had, and may continue to have, a significant adverse impact on employment rates, household wealth, consumer demand and credit creation, with repercussions on global economic growth.

Although there have been signs of economic recovery in the United States and other major economies, this recovery has been uneven and partially attributable to the effects of various government economic stimulus efforts. The sustainability of the recovery in the absence of such government intervention is uncertain. Furthermore, there has been no conclusive resolution of fiscal debt and sovereign credit issues affecting a number of developed economies, particularly in Europe, which has contributed to continuing global uncertainty. In addition, there can be no assurance that the recent political and social unrest in the Ukraine or elsewhere will not negatively affect any economic recovery in Europe, which may affect global economic recovery.

We offer banking and financial services to our customers globally and throughout the Asia Pacific region, particularly to those in Singapore and Malaysia. On a geographical basis, as of December 31, 2013, 62.2% of our total assets were in Singapore and 18.0% of our total assets were in Malaysia. As such, our financial performance, business growth and portfolio quality are substantially dependent on the health of the economies of Singapore and Malaysia, which in turn are heavily dependent on international trade, investment and other global economic factors discussed above. On a regional basis, Asian economies in which we operate have also experienced heightened market volatility since May 2013 resulting from expected changes in the U.S. Federal Reserve quantitative easing policy, increasing inflationary pressure as a consequence of liberal monetary policies or excessive foreign fund inflows, and other factors. A slowdown in the rate of growth or a contraction in the Singapore or the Malaysia economy or other markets in which we operate, such as Indonesia or Greater China, could result in lower demand for credit and other financial products and services and higher defaults among corporate and retail borrowers, which could materially and adversely impact our business, financial condition, results of operations and prospects.

The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment, and regulators are increasingly viewing us, as well as other financial institutions globally, as generally presenting a higher risk profile than in the past.

We are subject to a wide variety of banking, insurance and financial services laws, regulations and regulatory policies and a large number of regulatory and enforcement authorities in a number of jurisdictions. The global financial crisis in particular has led to significant and unprecedented changes in the laws, regulations and regulatory policies of Singapore and the other jurisdictions in which we operate. Such changes may include new, revised or more burdensome standards with respect to regulatory capital requirements, leverage or liquidity standards, cross-border capital flows, local lending obligations, management compensation, consumer protection and risk management, among other areas. We may also incur increased compliance costs associated with laws and regulations enacted outside of our primary markets, such as the United States Foreign Account Tax Compliance Act.

The MAS and other regulators regularly review our operations and there can be no guarantee that any regulator will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy, management functioning, other measures of the safety and soundness of our operations or compliance with applicable laws, regulations or regulatory policies. Our ability to predict future legal or regulatory changes is limited and we may face greatly enhanced legal or regulatory burdens without advanced notice. We cannot predict the timing or form of any current or future regulatory or law enforcement initiatives, which are increasingly common for international banks and financial institutions.

Any such changes to laws, regulations or regulatory policies, including their interpretation or application, may result in increased expenses or operational restrictions, revisions to our business operations, limitations on the products and services we offer, diminished asset values, increased cost of funds or limits on the collateral available for our loans, which may reduce our profitability or force us to forgo potentially profitable business opportunities. In addition, we may face adverse legal or regulatory actions and higher compliance costs from the increased review and scrutiny. Regulators may find that we are not in compliance with applicable laws, regulations or regulatory policies or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. If taken, such formal or informal actions might force us to make additional provision for our non-performing assets, divest our assets, adopt new compliance programs or policies, remove personnel or undertake other changes to our business operations. Any of these changes, if required, could reduce our profitability by restricting our operations, reducing our capitalization, imposing new costs or harming our reputation.

Systemic risk resulting from failures in the banking industry and financial difficulties of other financial institutions could adversely affect our business, financial condition, results of operations and prospects.

Within the banking industry, the default of any institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis. Any default by other institutions or any difficulties or instability of the financial system in general could create an adverse market perception and materially and adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to Our Business

We face increased competition which may result in decreased loan margins and reduce our market share.

We face intense competition from other commercial banks, investment banks, insurance companies and non-bank finance companies. Our primary competitors consist of other Singapore banks, major foreign banks licensed in Singapore and other financial institutions in Southeast Asia, Greater China and other markets in which we operate. Many of our competitors have resources much greater than ours and some of them have recently experienced higher growth, achieved better profitability and increased their market shares relative to us.

In recent years, the Singapore government has taken steps to liberalize the Singapore banking industry, which has resulted in increased competition among domestic and foreign banks operating in Singapore, leading to reduced margins for certain banking products. In particular, the MAS, which supervises banks in Singapore, has granted Qualifying Full Bank (“QFB”) licenses to various foreign financial institutions since 1999. QFBs are permitted to establish operations in up to 25 service locations in Singapore which can be used for branches or off-site Automated Teller Machines (“ATMs”), and are also permitted to share ATMs among themselves. Foreign banks granted such licenses face fewer restrictions on their Singapore dollar deposit-taking and lending activities. In June 2012, the MAS indicated that it will continue to allow greater foreign bank participation in the Singapore banking industry and refine the QFB system. Certain significantly rooted QFBs may be allowed to have an additional 25 places of business in Singapore, of which 10 may be branches. In recent years, the Singapore government has also allowed more foreign banks to obtain “wholesale banking” licenses to enable them to expand their Singapore dollar wholesale banking business in Singapore and to broaden the scope of Singapore dollar banking activities in which foreign banks may participate. Further, since the implementation of the United States Singapore Free Trade Agreement, which was signed in May 2003, Singapore banks, including us, are subject to additional competition in areas that were traditionally the stronghold of local banks. This trade agreement has removed QFB and wholesale bank license quotas for U.S. banks and significantly relaxed certain other restrictions on international banking activities. Further liberalization of the Singapore financial sector could lead to a greater presence or new entries of domestic and foreign banks offering a wider range of products and services, which could adversely impact our competitive environment.

There can be no assurance that we will be able to maintain our competitive position or compete successfully with other domestic and foreign financial institutions or that such increased competition will not have a material adverse effect on our business. If we are unable to provide competitive products and services or fail to attract new customers and/or retain existing customers, we may experience decreases on our interest, fee and commission income, and/or lose market share, the occurrence of any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be exposed to new or increased risks as we expand the range of our products and services and the geographic scope of our business.

Building growth in overseas markets forms a key pillar of our strategy. In 2004, we increased our presence in Indonesia with the acquisition of a stake in the former PT Bank NISP Tbk (“**Bank NISP**”), and as of December 31, 2013 we owned an 85.1% stake in the renamed PT Bank OCBC NISP Tbk (“**OCBC NISP**”). In 2006, we acquired a 12.2% stake in Bank of Ningbo Company Limited (“**Bank of Ningbo**”) in China. As of December 31, 2013, our stake in Bank of Ningbo was 15.3%. On January 14, 2014, we announced that we have entered into an agreement to subscribe for up to 207,545,680 new ordinary shares in Bank of Ningbo at a subscription price of RMB8.85 for each new share. The share subscription is subject to the fulfillment of certain conditions and is expected to be completed in the third quarter of 2014. Upon completion of the share

subscription, our stake in Bank of Ningbo is expected to increase to 20.0%. We also purchased a 10% stake in Vietnam's Vietnam Prosperity Joint Stock Commercial Bank ("VP Bank") in 2006 and further raised our stake to 14.9% in 2008. In November 2013, we sold our entire stake in VP Bank. In August 2007, we completed the local incorporation of our existing operations in China, and our wholly-owned subsidiary, OCBC Bank (China) Ltd. ("OCBC China"), officially commenced operations. On January 29, 2010, we completed the acquisition of ING Asia Private Bank ("IAPB") and combined its business with that of OCBC Private Bank under a wholly-owned subsidiary which was renamed Bank of Singapore. Bank of Singapore provides private banking services to mainly Asian clients.

Such regional expansion into Indonesia, Greater China and other Asian markets outside of Singapore and Malaysia increases our risk profile and exposure to asset quality problems. This expansion of our overseas business and our strategy to further deepen our presence in the international markets may further increase our exposure to risks of adverse developments in foreign economies and markets, including interest rate and foreign exchange rate risk and regulatory and political risk. Our overseas expansion also exposes us to the compliance risks and the credit and market risks specific to the countries and regions in which we operate. There can be no assurance that such regional expansion will not have a material adverse effect on our business, financial condition, results of operations and prospects, or that our credit and provisioning policies will be adequate in relation to such risks.

As part of our business strategy, we are also expanding our distribution channels and our range of products and services beyond our traditional commercial banking business to other services. Accordingly, we will need to develop, invest in and implement systems to manage new products and services and distribution channels. We may incur expenses necessary to address regulatory requirements that enhance consumer protections, including improvements to information technology systems and employee training. There may be risks associated with our new services and businesses for which we have limited or no experience. As a result, our risk management systems may prove to be insufficient and may not be effective in all cases or to the degree required.

Any substantial increase in non-performing assets, non-performing loans and allowances could impair our financial condition.

Our financial condition and results of operations have been and will continue to be affected by the quality of our assets, including loans and allowances. Our non-performing assets amounted to S\$1,437 million, S\$1,172 million and S\$1,304 million as of December 31, 2011, 2012 and 2013, respectively, of which non-performing loans ("NPLs") amounted to S\$1,172 million, S\$1,145 million and S\$1,239 million as of December 31, 2011, 2012 and 2013, respectively. As a percentage of gross customer loans, our NPLs were 0.9%, 0.8% and 0.7% as of December 31, 2011, 2012 and 2013, respectively. As of December 31, 2013 our total cumulative allowances, comprising cumulative specific allowances and cumulative portfolio allowances, as a percentage of non-performing assets were 134.2%. If domestic or global economic conditions worsen or do not improve, our borrowers do not repay their loans, and past experience, evaluations, assumptions and estimates about our borrowers, valuation of collateral and guarantees, and general economic and business conditions upon which our allowances are based fail to provide an accurate representation of actual future incurred losses, among other things, our non-performing assets, NPLs and allowances may increase significantly above the current level. Changes in law or government policies that have an adverse impact on the rights of creditors could also cause us to incur increased credit costs.

If we are not able to control or reduce the level of non-performing assets and NPLs, the overall quality of our assets may deteriorate, and we may become subject to enhanced regulatory oversight and scrutiny and our reputation, business, financial condition, results of operations, prospects and capital adequacy ratios may be materially and adversely affected.

A decline in the value of our collateral, including real estate, may increase our loan loss allowances and result in failure to recover the expected value of collateral security, exposing us to a potential loss.

Adverse changes in the credit quality of our borrowers and counterparties or adverse changes arising from a deterioration in global and regional economic conditions or asset values could reduce the value of our assets. In particular, a significant portion of our loan portfolio is secured by real estate. In the event of a downturn in the real estate markets in Singapore or the other markets in which we conduct business, changes in asset prices may cause the value of our collateral to decline and a portion of our loans may exceed the value of the underlying collateral.

Any decline in the value of the collateral securing our loans or failure to recover the expected value of collateral may require us to increase our loan loss allowances. In the event of default, this may increase our losses if we are unable to obtain additional collateral or realize the value of existing collateral, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our funding is predominantly in the form of local currency deposits which are short-term or repayable on demand, and liquidity shortfalls may increase our cost of funds and materially and adversely affect our business, financial condition, results of operations and prospects.

We need liquidity to pay our operating expenses, pay interest on and principal of debt, maintain our lending activities and meet deposit withdrawals and regulatory requirements. Most of our funding requirements are met through a combination of funding sources, primarily in the form of deposit-taking activities, issuance of debt securities and interbank funding.

As of December 31, 2013, 97.3% of our non-bank customer deposits had current maturities of one year or less or were payable on demand. Such deposits are mainly from savings, term and current accounts and demand deposits. Because a large portion of our assets have medium or long-term maturities and may be in foreign currencies, in particular the U.S. dollar, this creates a potential for funding mismatches. Although our deposit base is currently diversified and does not rely on any significant depositor funding, no assurance can be given that this will continue or that factors affecting a large portion of our depositor base, such as factors affecting the Singaporean economy, will not limit our access to deposits. High volumes of deposit withdrawals, failure of a substantial number of our depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits or our inability to grow our deposit base or a disproportionate increase in the cost of deposits relative to our return on assets, could each have an adverse effect on our liquidity position. In such a situation, we could be required to seek alternative short-term and long-term funds, or alternative foreign currency funds, to meet our liquidity requirements, which may be more expensive than current funding sources and may also increase our exposure to interest rate changes, which could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, circumstances outside our control, such as adverse market and economic conditions in the domestic and global economies, disruptions in the financial markets or negative developments concerning other financial institutions perceived to be comparable to us, may limit or adversely affect our access to liquidity required to operate our business. If our counterparties or the markets are reluctant to finance our operations due to actual or perceived weaknesses in our business as a result of large losses, changes in our credit ratings, a general decline in the level of business activity in the financial services sector or other factors, we may be unable to meet our payment obligations when they become due or only be able to meet them with funding obtained at unfavorable terms. Without sufficient liquidity, we will be forced to curtail our operations, and our business, financial condition, results of operations and prospects would be materially and adversely affected.

Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.

We are constantly exposed to significant credit, market and operational risks and we have devoted significant resources to strengthening our risk management policies and procedures to mitigate and manage such risks. Nevertheless, in light of the continuing evolution of our operations and expansion into new areas, our policies and procedures designed to identify, monitor and manage risks may not be fully effective in time.

Our risk management systems are dependent on our ability to properly identify, and mark-to-market, changes in the value of financial instruments caused by changes in market prices or rates. If the available information which we evaluate and on which our risk management procedures depend is not accurate, our anticipation of risks could be adversely affected. Moreover, severe declines in asset values, unanticipated credit events or unforeseen circumstances that may cause previously uncorrelated factors to become correlated may create losses resulting from risks not appropriately taken into account.

Our risk management strategies may not be effective in a difficult or less liquid market environment because other market participants may be attempting to use the same or similar strategies to deal with difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk.

To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses and enhanced regulatory scrutiny. Furthermore, investigations, administrative actions or litigation could commence in relation to violations, which may involve costs, including possible deterioration of our reputation, and affect the evaluation of our credit ratings by rating agencies. This, in turn, could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may face pressure on our capital and liquidity positions due to Basel III, which could constrain our operations.

On December 16, 2010, the Basel Committee published Basel III: A global regulatory framework for more resilient banks and banking systems (“**Basel III**”), which presents the details of global regulatory standards on bank capital adequacy and liquidity, aimed at strengthening the resilience of the banking sector. Basel III sets out higher capital standards for banks, and introduced two global liquidity standards: the “Liquidity Coverage Ratio”, intended to promote resilience to potential liquidity disruptions over a 30-day horizon and the “Net Stable Funding Ratio”, which requires a minimum amount of stable sources of funding at banks relative to the liquidity profiles of their assets and potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year horizon.

On January 13, 2011, the Basel Committee also published requirements for all non-common Tier 1 and Tier 2 capital instruments issued on or after January 1, 2013 to be loss absorbing at the point of non-viability.

As of January 1, 2013, the MAS has incorporated Basel III provisions into Singapore prudential regulation. Singapore-incorporated banks (“**SIBs**”) are required to comply with a minimum common equity Tier 1 capital adequacy ratio (“**CET1 CAR**”) of 4.5%, a Tier 1 capital adequacy ratio (“**Tier 1 CAR**”) of 6% and a total capital adequacy ratio (“**Total CAR**”) of 10% from January 1, 2013, and 6.5%, 8% and 10%, respectively, from January 1, 2015. These minimum ratios are two percentage points higher than those established by the Basel Committee. As part of the Basel

III transition arrangements, regulatory capital recognition of outstanding non-CET1 and Tier 2 capital instruments that no longer meet the minimum criteria will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on January 1, 2013, their recognition is capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortized after January 1, 2013, the nominal amount serving as the base will not be reduced.

In line with Basel III requirements, Singapore prudential regulation will require a capital conservation buffer of 2.5% and a countercyclical buffer of 2.5% (during periods of excessive credit growth) that are to be met fully with CET1 capital. These buffers will be phased in on January 1 each year from 2016 to 2019. In the case of the countercyclical buffer, the applicable magnitude will be a weighted average of the countercyclical buffer requirements that are required in jurisdictions to which SIBs have exposures.

While the MAS has implemented Basel III capital adequacy standards in Singapore and released a consultation paper on the implementation of the Basel III liquidity rules, it has not yet published its draft rules for Basel III liquidity standards. Therefore, there is still uncertainty as to the specific implementation of Basel III in Singapore in this regard.

There is no assurance that the Group will not face increased pressure in the future to comply with MAS' capital adequacy or liquidity requirements, which may have a material adverse effect on the Group's return on capital and profitability.

If our capital adequacy and liquidity ratios fall below the required levels, the MAS could require us to take a variety of corrective actions, including additional capital or fund raising, withdrawal from international operations or suspension of all or part of our operations, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, some of our banking subsidiaries and affiliates in jurisdictions outside Singapore will be subject to local Basel III capital adequacy and liquidity requirements, as and when the Basel III framework is adopted and implemented by the relevant local regulatory authorities. There is no assurance that our banking subsidiaries and affiliates will not face pressure to meet local Basel III requirements, and any failure by our subsidiaries to meet such requirements may result in administrative actions or sanctions imposed by local regulatory authorities.

Losses on our investments may have a material adverse effect on our business, financial condition, results of operations and prospects, and the concentration of sovereign debt obligations in our investment portfolio may increase our risk of suffering investment losses.

Our investment returns, and thus our profitability, may be materially and adversely affected by conditions affecting our investments, including the level or volatility of interest rates or prices, currency exchange rates, credit and liquidity conditions, the performance and volatility of capital markets, asset values, and macroeconomic and geopolitical conditions, all of which could, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

We have substantial investments in debt securities, representing 82.6% of our total securities (comprising debt and equity securities and excluding government treasury bills and securities) as of December 31, 2013. Moreover, our investment portfolio comprises primarily fixed income securities. Increases in interest rates could substantially decrease the value of our fixed income portfolio, and any unexpected change in yield curves could adversely affect the value of our bonds and interest rate derivative positions, resulting in lower-than-expected income or losses from

trading and investment activities. Market volatility may also result in significant unrealized losses or impairment losses on our investments. Furthermore, ratings downgrades of investment securities by major rating agencies may also cause declines in the value of our securities portfolio.

We also hold significant amounts of Singapore government securities and securities of other governments. As a result, we have significant credit exposure to sovereign issuers. Investment in sovereign debt obligations involves risks not present in investments in debt obligations of corporate issuers. Investing in such instruments creates exposure to the direct or indirect consequences of political, governmental, social or economic changes in the countries in which the issuers are located and the creditworthiness of the sovereign. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default. If a sovereign were to default on its obligations, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our operations outside Singapore are subject to fluctuations in foreign exchange rates and a portion of our assets and liabilities in Singapore are denominated in foreign currencies, principally the U.S. dollar, which could be adversely affected by currency exchange rate fluctuations. To the extent that our foreign currency denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currencies against the Singapore dollar will create foreign currency translation gains or losses and may materially and adversely affect our business, financial condition, results of operations and prospects. For further information, see “Business – Risk Management – Asset Liability Management – Structural Foreign Exchange Risk”.

Our business relies on our information technology systems, and significant security breaches in our computer system and network infrastructure or system failures could harm our relationships with customers, adversely affect our provision of services to customers, subject us to sanctions by our regulators and materially and adversely impact our business and reputation.

In all aspects of our business, we use information technology systems to deliver services to and perform transactions on behalf of our customers, as well as for back office operations. We therefore depend on the capacity and reliability of the electronic and information technology systems supporting our operations. There can be no assurance that we will not encounter service disruptions owing to failures of these information technology systems. Our information technology systems are subject to damage or incapacitation as a result of quality problems, human error, natural disasters, power loss, sabotage, computer viruses, acts of terrorism and similar events. In addition, we may not be prepared to address all contingencies that could arise in the event of a major disruption of services.

Physical or electronic break-ins, security breaches, service disruptions and other disruptive problems caused by our increased use of the internet or power disruptions could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Although we have implemented security technology and operational procedures, including firewalls, tokens and password encryption technologies, designed to minimize the risk of security breaches, and we intend to continue to implement such security technologies, conduct regular vulnerability assessments and network penetration tests and establish operational procedures to prevent any such break-ins, damages and failures, there can be no assurance that these security measures will be successful. In addition, although our centralized data center and backup systems are separately located in different places, there can be no assurance that both systems will not be simultaneously damaged or destroyed in the event of a major disaster. A significant breakdown in internal controls, fraudulent activities by employees, major service disruptions or failure of security measures or backup systems could significantly affect our

operations, result in enhanced regulatory scrutiny and could result and have resulted in the past in regulatory or administrative sanctions and consequently could have a material adverse effect on our business, financial condition, results of operations and prospects.

We handle personal information obtained from our individual and corporate customers in relation to our banking, securities, credit card, insurance and other businesses. The controls we have implemented to protect the confidentiality of personal information, including those designed to meet the strict requirements of banking secrecy laws, may not be effective in preventing unauthorized disclosure of personal information. Leakage of personal information could expose us to lawsuits, administrative or regulatory actions or sanctions and reputational harm, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Fraud or other misconduct by employees or third parties could expose us to losses and regulatory sanctions.

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against fraud, there can be no assurance that we will be able to prevent fraud. We are exposed to potential losses resulting from fraud and other misconduct by our employees. Our employees may bind us to transactions that exceed authorized limits or present unacceptable risks, hide unauthorized activities from us and from our customers, conduct improper sales activities, improperly use confidential information or otherwise abuse customer confidences. Third parties may engage in fraudulent activities, including fraudulent use of bank accounts or the use of false identities to open accounts for money laundering, tax evasion or other illegal purposes. Third parties could also use stolen or forged ATM cards or engage in credit card fraud, and we may be required to indemnify victims of such fraud for related losses. In the broad range of businesses in which we engage, fraud and other misconduct are difficult to prevent or detect, and we may not be able to recover the losses caused by these activities. Our reputation could be adversely affected by fraud or other unauthorized actions committed by employees, representatives, agents, customers or outsiders, or by our perceived inability or failure to properly manage fraud-related risks and our inability or perceived inability to manage these risks could lead to ensuing inquiries or investigations and enhanced regulatory oversight and scrutiny. The occurrence of any of the above could materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to derivative financial instruments and market counterparties and any deterioration of creditworthiness of counterparties and/or adverse market impact on fair value of derivatives may have a material adverse effect on our business, financial condition, results of operations and prospects.

As part of our trading, hedging and other operations, we have exposure to derivative financial instruments which are carried at fair value. The fair value of these derivatives and our exposure to the risk of default by the underlying counterparties depend on the valuation and the perceived risk of the derivatives as well as on the creditworthiness of the relevant counterparty.

In addition, lawmakers and regulators in the United States, Europe and elsewhere have adopted and/or proposed legislation containing restrictions that could adversely impact the liquidity of and increase costs of participating in the commodities, futures and over-the-counter derivative markets. These legislative and regulatory changes, and the resulting increased costs and regulatory oversight requirements, could result in market participants being required to, or deciding to, limit their trading activities, which could cause reductions in market liquidity and increases in market volatility. In addition, transaction costs incurred by market participants are likely to be higher than in the past, reflecting the costs of compliance with the new regulations. These consequences could adversely affect the fair value of derivatives, which could in turn adversely affect our business, financial condition, results of operations and prospects.

We may seek opportunities for growth through acquisitions and could face integration and other acquisition risks.

We may seek opportunities for growth through acquisitions. There can be no assurance that we will not actively pursue other acquisitions or mergers in the Singapore market or that any of these efforts will be successful. Further, we continue to target expansion in our other core markets, namely Malaysia and Greater China and on April 1, 2014, we announced that we have made a pre-conditional voluntary general cash offer through our wholly owned subsidiary, OCBC Pearl Limited (“OCBC Pearl”), to acquire the entire issued share capital of Wing Hang Bank, Limited (“WHB”). There can be no assurance that we will not be involved in further mergers and acquisition activity in these countries or elsewhere. In particular, the contemplated WHB acquisition will, if consummated, substantially increase our exposure to Greater China. Any future acquisitions or mergers, both domestic or international, may involve a number of risks, including the possibility of a deterioration of asset quality and regulatory capital ratios, financial impact of employee-related liabilities, diversion of our management’s attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, leverage synergies or rationalize operations, or develop the skills required for new businesses and markets, or unknown and known liabilities including any ongoing litigation, claims or disputes concerning such acquisition, merger, our shareholders, share capital or our legal and regulatory compliance obligations or practices, some or all of which could have an adverse effect on our business. There can be no assurance that we will be able to successfully integrate with or into any such acquired businesses, or that such mergers or acquisitions will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Local regulations may also limit our ability to successfully complete acquisitions outside of Singapore. For example, Bank Indonesia passed a regulation in July 2012 limiting new investments in Indonesian banks to 40.0% of the shares of an Indonesian bank, subject to certain exemptions. Although the new guidelines permit foreign investors which already own majority stakes in Indonesia banks, such as OCBC Bank’s 85.1% shareholding (as of December 31, 2013) in OCBC NISP, to maintain their holdings, we cannot assure you that future regulations in Indonesia or elsewhere will not limit our ability to expand our banking operations outside of Singapore or require us to divest existing interests.

Fee and commission income have become important elements of our profitability, and economic and market conditions could cause these income streams to decline and adversely impact our financial performance.

We earn fee and commission income from a variety of activities, including brokerage, fund management, distribution of investment and insurance products, credit cards, private banking, transaction banking, trade finance, loan and debt syndication and advisory services for corporate clients. Our fee and commission income is therefore impacted by market demand for these products and services, investment and risk appetite, the level of corporate activity and the overall level of economic and trade activity. Volatile market conditions may also have an adverse impact on various streams of our fee and commission income, including brokerage, fund management, distribution of investment and insurance products, the private banking business and the level of corporate activity. The above factors could cause these income streams to decline in the future and materially and adversely impact our business, financial condition, results of operations and prospects.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on

certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. If we rely on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Terrorism, epidemics and other events could adversely affect the economies of countries where we operate and our business.

Terrorist attacks, natural calamities and outbreaks of communicable diseases could lead to disruptions in the functioning of international financial markets and adversely affect Singapore and other economies in which we operate. Any material change in the financial markets, the Singapore economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, our insurance business exposes us to claims arising out of such events and catastrophes affecting a large segment of the population as portions of our insurance business cover losses from unpredictable events such as hurricanes, windstorms, monsoons, earthquakes, fires, industrial explosions, floods, riots and other man-made or natural disasters, including acts of terrorism. In particular, our life insurance business is exposed to the risk of catastrophic mortality, such as an epidemic or other events that cause a large number of deaths. The incidence and severity of these catastrophes in any given period are inherently unpredictable. Our insurance business generally seeks to reduce its exposure through the purchase of reinsurance, through selective underwriting practices and by monitoring risk accumulation. Claims relating to catastrophes may result in unusually high levels of losses and may require additional capital to maintain solvency margins and could have a material adverse effect on our business, financial condition, results of operations and prospects.

An actual or perceived reduction in our financial strength, or a downgrade in our credit ratings, could have a negative effect on us, and could increase deposit withdrawals and insurance policy surrenders and withdrawals, damage our business relationships and negatively impact sales of our products.

Depositors' and policyholders' confidence in the financial strength of a bank or insurance company, as well as in the financial services industry generally, is an important factor affecting its business. Any actual or perceived reduction in our financial strength, whether due to a credit rating downgrade, a reduction in our solvency margin, or some other factor, could materially and adversely affect our business as any such development may, among other things:

- (a) increase the number of deposit withdrawals and insurance policy surrenders and withdrawals;
- (b) damage our relationship with our creditors, our customers and the distributors of our products;
- (c) negatively impact sales of our products;
- (d) require us to reduce prices for many of our products and services to remain competitive; and
- (e) increase our borrowing costs as well as affect our ability to obtain financing on a timely basis.

We have received long-term issuer ratings of “Aa1” from Moody’s Investors Service, Inc. (“**Moody’s**”), “AA-” from Standard & Poor’s Rating Services (“**S&P**”) and “AA-” from Fitch Ratings Ltd (“**Fitch**”). In July 2013, Moody’s revised its outlook on Singapore’s banking system from “stable” to “negative”, expressing concerns over rising levels of private debt in Singapore, disproportionate levels of non-performing loans in assets originated outside of Singapore and potential capital outflows from emerging markets in the event of rising global interest rates. In September 2013, Moody’s downgraded the subordinated debt ratings of the three largest Singapore banks, including us, as part of a methodological shift in response to the increasing international trend of imposing losses on holders of subordinated debt securities (creditor “bail-in”) as a pre-condition for distressed banks to receive government support.

We cannot assure investors that we will not experience reductions in our financial strength, actual or perceived, in the future and which could materially and adversely affect the profitability of our treasury operations, our capital adequacy position, business, financial condition, results of operations and prospects.

Damage to our reputation or brand names may have an adverse effect on our business.

Maintaining our reputation is vital to our ability to attract and maintain customers, investors and employees. Our reputation could be damaged through a variety of circumstances, including, among others, employee fraud or other misconduct, systems failures, compliance failures, adverse litigation judgments or regulatory decisions, or unfavorable outcomes of governmental inspections. Negative media coverage of us or the banking or insurance industry, even if inaccurate or not applicable to us, may have a materially adverse effect on our brand image and may undermine depositor confidence, thereby affecting our businesses and results of operations. Moreover, “OCBC”, “Bank of Singapore”, “Great Eastern Holdings” and our other brand names are important assets to us and any infringements of our brand names could reduce the value of goodwill associated with our names, result in the loss of competitive advantage and materially harm our business, results of operations and prospects. Actions by the financial services industry or the insurance industry generally or by certain members in the industry can also adversely affect customers’ confidence in the industries in which we operate. These reputational harms could lead to a decreased customer base, reduced income and higher operating costs and materially and adversely affect our business, financial condition, results of operations and prospects.

Any inability to attract and retain talented professionals may adversely impact our business.

Our business is growing more complex with geographic expansion internationally and product line expansion. Our continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals, which are key elements of our strategy and which we believe to be a significant source of our competitive advantage. The successful implementation of our strategy depends on the availability of skilled management, both at our head office and at each of our business units and international locations and on our ability to attract and train young professionals. In addition, we rely substantially on the tied agency force of our insurance business for sales and distribution and any inability to effectively recruit newly qualified agents or retain and incentivize existing agents will hinder our insurance business’ productivity and growth as sales commission for life insurance products is, to a significant extent, attributable to the initial sale of each product and any failure to recruit, retain or motivate tied agents can have a material adverse effect on its ability to maintain and increase its premium volume and market share. If we or one of our business units, international operations or other functions fail to staff operations appropriately, or lose one or more key senior executives or qualified professionals and fail to replace them in a satisfactory and timely manner, our business, financial condition, results of

operations and prospects, including our control and operational risks, may be materially and adversely affected. Likewise, if we fail to attract and appropriately train, motivate and retain young professionals or other talent, our business may likewise be affected.

While our insurance business is an increasingly important part of our business, we do not directly manage its strategy and there can be no assurance of its future rates of growth or level of profitability.

Great Eastern Holdings Limited (“**Great Eastern Holdings**”) is a significant contributor to our profit, accounting for 21.1% of our profit before tax in 2013. It is a listed company with minority shareholders and its own board of directors. While OCBC Bank owns 87.2% of Great Eastern Holdings’ share capital, is represented on the board of Great Eastern Holdings and works closely with Great Eastern Holdings on certain aspects of our businesses to deliver synergies, Great Eastern Holdings’ business strategy and operations are managed separately by its own management team. Therefore, we do not directly manage its strategy.

Moreover, there can be no assurance of the future rates of growth or level of profitability of our insurance business. The insurance industry in the Asia Pacific region may not expand or we may not succeed in increasing penetration into certain of the geographic markets in which we operate, as they may be or become saturated and exhibit low or no growth in the future. The growth and development of the life insurance and general insurance business in the Asia Pacific region is subject to a number of industry trends and uncertainties that are beyond our control. Any slowdown in this business and, in particular, in the life insurance business could have a material adverse impact on our business, financial condition, results of operations and prospects.

Loss reserves for our life insurance and general insurance businesses are based on estimates as to future claims liabilities and differences between actual claims and estimates or deviations from assumptions used to price our products could lead to further reserve additions and materially adversely affect our business, financial condition, results of operations and prospects.

Our insurance subsidiaries establish and carry reserves as balance sheet liabilities to pay future policyholder benefits and claims. The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts involves several sources of uncertainty in the estimation of the liabilities that our insurance subsidiaries will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses using “best estimate” actuarial policies and assumptions. Our insurance subsidiaries rely on standard industry reinsurance and national mortality tables which represent historical mortality experience, and make appropriate adjustments for their respective risk exposures in deriving the mortality and morbidity estimates. The assumptions they make include the assessment of the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other asset classes, mortality and morbidity rates, policyholder lapses and future expense levels.

The process of determining these assumptions and estimates is a difficult and complex exercise involving many variable and subjective judgments. In addition, we may lack sufficient data to make accurate estimates of the future benefits or claims experience, and significant deviations in actual experience from our assumptions could materially and adversely reduce our profitability.

In accordance with general insurance industry practice and accounting and regulatory requirements, our insurance subsidiaries establish reserves for loss and loss adjustment expenses related to their general insurance business. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims, which

requires estimates to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date. However, the assumptions made by our insurance subsidiaries in these reserves may differ from what they may experience in the future, and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Compliance with solvency and risk-based capital requirements as well as other regulatory changes may force our insurance subsidiaries to raise additional capital, change their business strategy or reduce their growth.

Insurance companies are generally required by applicable law to maintain their solvency at a level in excess of statutory minimum standards. Our insurance subsidiaries are affected primarily by the solvency margins they are required to maintain, which is in turn affected by the volume and type of new insurance policies they sell, the composition of their in-force insurance policies and by regulations on the determination of statutory reserves. Their solvency is also affected by a number of other factors, including the profit margin of their products, returns on their assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. The regulatory frameworks in Singapore, Malaysia and Indonesia currently utilize a risk-based capital regime.

Moreover, Great Eastern Holdings has been approved by the MAS as a Financial Holding Company pursuant to Section 28 of the Monetary Authority of Singapore Act, Chapter 186 of Singapore (the “MAS Act”) and is subject to requirements imposed by the MAS. The Financial Holding Companies Bill 2013 will be applicable to Great Eastern Holdings when it comes into operation and will require Great Eastern Holdings, as a Financial Holding Company, to, amongst others, maintain minimum paid-up capital amounts and capital adequacy ratios, and to report its leverage ratios to the MAS.

MAS also issued a consultation paper in June 2012 on the review of the risk-based capital framework for insurers in Singapore and followed up with a second consultation paper in March 2014. Compliance with changing solvency and risk-based capital requirements entails costs to our insurance subsidiaries. In order to comply with applicable solvency and risk-based capital requirements, our insurance subsidiaries may need to transfer additional capital from a particular geographical market to another geographical market or raise or inject additional capital to meet their solvency and risk-based capital requirements. They may also need to change their business strategy, including the types of products they sell and how they manage their capital. Finally, compliance with solvency and risk-based capital requirements may require them to slow the growth of their business. The FAIR recommendations will be implemented in stages, from mid-2014 to January 2015. The impact from the implementation of the web aggregator and the direct purchase channel on sales remains to be seen.

Any termination or disruption of our existing bancassurance relationships with Great Eastern Holdings may have a material adverse effect on our competitiveness and result in a material impact on our business, financial condition, results of operations and prospects.

A key focus in developing our insurance product sales is through bancassurance. If our insurance subsidiaries fail to develop or maintain existing synergies with our banking segments and other segments of our Group, our competitiveness may be materially and adversely affected or we may not be able to maintain or grow our premiums, and our business, financial condition, results of operations and prospects may be materially and adversely impacted.

Our insurance subsidiaries may be unable to utilize reinsurance successfully.

The ability of our insurance subsidiaries to obtain external reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond their control. In particular, certain risks that our insurance subsidiaries are subject to, such as epidemics, are difficult to reinsure. If our insurance subsidiaries are unable to renew any expiring external coverage or obtain acceptable new external reinsurance coverage, their net risk exposure could increase or, if they are unwilling to bear an increase in net risk exposure, their overall underwriting capacity and the amount of risk they are able to underwrite would decrease. To the extent that our insurance subsidiaries are unable to utilize external reinsurance successfully, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, although a reinsurer would be liable to our insurance subsidiaries for the risk transferred pursuant to a reinsurance arrangement, such an arrangement does not discharge their primary liability to their policyholders. As a result, we are exposed to credit risk with respect to reinsurers in all lines of our insurance business. In particular, a default by one or more of our reinsurers under the reinsurance arrangements would increase the financial losses arising out of a risk we have insured, which would reduce our profitability and may have a material adverse effect on our liquidity position. There can be no assurance that our reinsurers will always be able to meet their obligations under reinsurance arrangements of our insurance subsidiaries on a timely basis, if at all. In addition, under a small number of reinsurance agreements, we receive payments from our reinsurers through brokers. We are consequently subject to the risk of non-payment from these brokers. If our reinsurers or brokers fail to pay our insurance subsidiaries on a timely basis, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be involved in various litigation in the ordinary course of our business, and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance.

We face risks of litigation, regulatory investigations and similar actions in the ordinary course of our business, including the risk of lawsuits and other legal actions relating to suitability, sales or underwriting practices, product design, disclosure, administration, insurance claims payments and procedures, denial or delay of insurance benefits and breaches of fiduciary or other duties. Any such action may include claims for substantial or unspecified compensatory and punitive damages, as well as civil, regulatory or criminal proceedings against our directors, officers or employees, and the probability and amount of liability, if any, may remain unknown for significant periods of time. We are also subject to various regulatory inquiries, such as information requests and books and records examinations, from regulators and other authorities in the geographical markets in which we operate.

A substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees could have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant harm to our reputation, which could materially affect our prospects and future growth.

We are also subject to a number of laws, regulations and policies in addition to those governing the safety and soundness of our banking operations. For example, in June 2013, the MAS censured twenty banks (including OCBC Bank) for deficiencies in their benchmark submissions for Singapore dollar interest rate and foreign exchange spot benchmarks, and directed them to adopt measures to address their deficiencies. These banks are to report their progress to the MAS quarterly, and conduct independent reviews to ensure the robustness of their remedial measures. They are also required to set aside additional statutory reserves with the MAS at zero interest for

a period of one year. The supervisory actions taken depends on the severity of the attempts by traders from the banks to inappropriately influence the benchmarks. There are five categories of additional statutory reserves (ranging from S\$0 to S\$1.2 billion). OCBC Bank is in the second category (S\$700 to S\$800 million).

Singapore accounting and corporate disclosure standards may result in more limited disclosure than in other jurisdictions.

We are subject to Singapore's accounting standards and requirements that differ in certain material respects from those applicable to banks in certain other countries, including the United States. In addition, our financial statements are prepared in accordance with SFRS which differ in certain material respects from U.S. GAAP. Also, there may be less publicly available information about Singapore public companies, such as us, than is regularly made available by public companies in certain other countries.

Risks Relating to the Notes

The structure of a particular issue of Notes may carry particular risks compared with other Notes.

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

(a) Notes subject to optional redemption by us.

An optional redemption feature is likely to limit the market value of Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

(b) Partly-Paid Notes.

We may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment on a Partly-Paid Note could result in an investor losing all of its investment.

(c) Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or vice versa. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on the Notes.

- (d) Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Investors may also be subject to investment laws that constrain their ability to invest in the Notes. Investors should consult their own legal advisors before making an investment in the Notes.

Global financial turmoil has led to volatility in international capital markets which may adversely affect the market price of the Notes.

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may adversely affect the market price of the Notes.

There are risks associated with modifying or amending the Conditions of the Notes by way of a meeting of the Noteholders.

The Conditions contain provisions for calling meetings of the Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all the Noteholders including the Noteholders who did not attend and vote at the relevant meeting and the Noteholders who voted in a manner contrary to the majority.

Limited rights of enforcement and subordination of the Subordinated Notes could impair an investor's ability to enforce its rights or realize any claims on the Subordinated Notes.

In most circumstances, the sole remedy against us available to the Trustee (on behalf of the holders of Subordinated Notes) to recover any amounts owing in respect of the principal or interest on the Subordinated Notes will be to institute proceedings for our winding-up in Singapore. If we default on the payment of principal or interest on the Subordinated Notes, the Trustee will only institute a proceeding in Singapore for our winding-up if it is so contractually obligated. The Trustee will have no right to accelerate payment of the Subordinated Notes in the case of default in payment or failure to perform a covenant except so provided in the Conditions and in the Trust Deed.

The Subordinated Notes will be unsecured and subordinated obligations of ours and will rank junior in priority to the claims of Senior Creditors (as defined in the Conditions). Upon the occurrence of any winding-up proceeding, the rights of the holders of the Subordinated Notes to payments on such Subordinated Notes will be subordinated in right of payment to the prior payment in full of all of our deposits and other liabilities, as applicable, except those liabilities which rank equally with or junior to the Subordinated Notes. In a winding-up proceeding, the holders of the Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of ours, as applicable. As there is no precedent for a winding-up of a major financial institution in Singapore, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. An investor in the Subordinated Notes may lose all or some of his investment should we become insolvent.

The Trust Deed and the Notes do not contain any restrictions on our ability to pledge, dispose or securitize our assets, pay dividends, incur additional debt, repurchase our securities or take other actions that could negatively impact Noteholders and provide Noteholders with limited protection in the event of a change in control.

The Trust Deed and the Notes do not contain any restrictions on our ability to incur indebtedness, including issue new secured and unsecured debt, repurchase our outstanding securities, pledge assets to secure other indebtedness, securitize our loan assets, or sell or otherwise dispose of substantially all of our assets, or pay dividends on our shares of common stock. These or other actions by us could adversely affect our ability to pay amounts due on the Notes. In addition, the Trust Deed and the Notes do not contain any covenants requiring us to achieve or maintain any minimum financial results relating to our financial position or results of operations.

The terms of the Subordinated Notes will contain non-viability loss absorption provisions, and the occurrence of a Trigger Event may be inherently unpredictable and beyond our control.

MAS Notice 637 provides that the terms of all Tier 1 and Tier 2 capital instruments must be loss absorbing at the point of non-viability. In this regard, the terms of all Tier 1 and Tier 2 capital instruments, issued from January 1, 2013 onwards, require a provision that such instruments be either written off or converted into ordinary shares upon the occurrence of a Trigger Event as

defined below). The applicable Pricing Supplement will specify whether the conversion option or the write-off option will apply upon the occurrence of the Trigger Event. The Trigger Event would occur on the earlier of:

- (a) the MAS notifying the bank in writing that the MAS is of the opinion that a write-off or conversion is necessary, without which the bank would become non-viable; and
- (b) a MAS decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the MAS,

(for the purposes of this Offering Memorandum, each a “**Trigger Event**”).

To the extent that a series of Subordinated Notes contains provisions relating to loss absorption, upon the occurrence of a Trigger Event relating to us as determined by the MAS, we may be required, subject to the terms of the relevant series of Subordinated Notes, irrevocably (without the need for the consent of the holders of such Subordinated Notes) to effect either a full or partial write-off of the outstanding principal and accrued and unpaid interest in respect of such Subordinated Notes, or a conversion of such Subordinated Notes into our ordinary shares.

To the extent relevant in the event that such Subordinated Notes are written off pursuant to Condition 6 (as such terms may be further amended by the applicable Pricing Supplement), any written-off amount shall be irrevocably lost and holders of such Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off. No Noteholder may exercise, claim or plead any right to any amount written-off, and each Noteholder shall be deemed to have waived all such rights to such amounts written-off. Furthermore, the requirement for conversion or write-off upon the occurrence of a Trigger Event does not apply to subordinated debt issued by us prior to January 1, 2013, and accordingly the holders of Subordinated Notes issued under this Offering Memorandum are likely to be in a worse position in the event we become non-viable than holders of subordinated debt issued by us in the past and which does not include mandatory conversion or write-off features, which includes all of our subordinated debt outstanding on the date hereof.

In the event that such Subordinated Notes feature a conversion to our ordinary shares upon the occurrence of a Trigger Event, on such terms as may be set forth in the applicable Pricing Supplement, we will be required, upon the occurrence of a Trigger Event, to convert some or all of the nominal amount of the Subordinated Notes into ordinary shares which may be worth significantly less than the investor’s Subordinated Notes. In such circumstances, holders will not be entitled to any reconversion of ordinary shares to Subordinated Notes. Investors in Subordinated Notes featuring such conversion to our ordinary shares may be subject to additional risks as set forth in the applicable Pricing Supplement with respect to any such Subordinated Notes.

A write-off or conversion of Subordinated Notes will not constitute an event of default with respect to such Subordinated Notes under Condition 10(b)(i).

As the Trigger Event would be determined by the MAS, the write-off or conversion into ordinary shares may occur in circumstances beyond our control and with which we do not agree. While the MAS has set out a list of factors that it may take into account in assessing viability, it is not an exhaustive list and, ultimately, the circumstances in which the MAS may exercise its discretion are not limited. Due to the inherent uncertainty regarding the determination of whether a Trigger Event exists, it will be difficult to predict when, if at all, a write-off or conversion into ordinary shares will occur. Accordingly, the trading behavior in respect of Subordinated Notes which have the non-viability loss absorption feature is not necessarily expected to follow trading behavior

associated with other types of securities. Any indication that we are trending towards a Trigger Event could have a material adverse effect on the market price of the relevant Subordinated Notes.

Potential investors should consider the risk that a holder of Subordinated Notes which have the non-viability loss absorption feature may lose all of their investment in such Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Trigger Event occurs.

In addition, there is no assurance that the MAS will not implement non-viability loss absorption requirements which are different from those currently envisaged for Singapore-incorporated banks.

Subordinated Notes that include a loss absorption feature are novel and complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in such Subordinated Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a write off or conversion and the value of such Subordinated Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Memorandum or incorporated by reference herein.

The Subordinated Notes may be subject to a full or partial Write-off.

Investors may lose the entire amount of their investment in any Subordinated Notes in which Write-off is specified as the applicable loss absorption option upon the occurrence of a Trigger Event, which will lead to a full or partial Write-off upon the occurrence of such Trigger Event. Upon the occurrence of a Write-off, the principal amount and any accrued but unpaid interest of such Subordinated Notes will automatically be written down and if there is a full Write-off, the principal amount and any accrued but unpaid interest will be written down completely and such Subordinated Notes will be cancelled.

In addition, the subordination provisions set out in Condition 3(c) are effective only upon the occurrence of any winding-up proceedings of the relevant Issuer. In the event that a Trigger Event occurs, the rights of holders of Subordinated Notes shall be subject to Condition 6. This may result in a less favorable outcome for holders of Subordinated Notes subject to a Write-off or conversion (a) than that which would otherwise occur under Condition 3(c) upon the occurrence of any winding-up proceedings of the relevant Issuer or (b) compared to holders of securities that otherwise rank *pari passu* or junior to such Noteholders but which are not subject to a full or partial Write-off or conversion. See “ – The terms of the Subordinated Notes will contain non-viability loss absorption provisions, and the occurrence of a Trigger Event may be inherently unpredictable and beyond our control”.

Furthermore, upon the occurrence of a Write-off of any Subordinated Notes, interest will cease to accrue and all interest amounts that were not due and payable prior to the Write-off shall become null and void. Consequently, Noteholders will not be entitled to receive any interest that has accrued on such Subordinated Notes from (and including) the last Interest Payment Date falling on or prior to the Trigger Event Notice.

Any such Write-off will be irrevocable and the Noteholders will, upon the occurrence of a Write-off, not receive any of our shares or other participation rights, or be entitled to any other participation in the upside potential of any equity or debt securities issued by us or be entitled to any subsequent write-up or any other compensation in the event of a our potential recovery.

Our ability to make payments in respect of the Notes may depend upon the performance of contractual obligations of other parties to the transaction documents.

Our ability to make payments in respect of the Notes may depend upon the due performance of the respective obligations of the other parties to the transaction documents, including the performance by the Trustee, the Issuing and Paying Agents, the CMU Lodging and Paying Agent, the CDP Paying Agent, the Transfer Agents, the Registrars and/or the Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve us of our obligations to make payments in respect of the Notes, we may not, in such circumstances, be able to fulfill our obligations to the Noteholders, Receiptholders and the Couponholders.

We and the Noteholders may face certain risks associated with any changes to English law, Singapore law, Australian law or administrative practice after the date of the issue of the relevant Notes.

The Conditions are based on English law, Singapore law or Australian law (as specified in the applicable Pricing Supplement) in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, Singapore law, Australian law or administrative practice after the date of issue of the relevant Notes.

Limited liquidity of the Notes may affect the market price of the Notes.

The Notes will not be registered under the Securities Act or the securities or blue sky laws of any state of the United States. The Notes are being offered, and may be resold outside of the United States within the meaning of and in compliance with Regulation S under the Securities Act. The Notes may also be offered, and may be resold, within the United States to institutional investors that qualify as “qualified institutional buyers”, within the meaning of and in compliance with Rule 144A under the Securities Act; or pursuant to another exemption from the registration requirements of the Securities Act. Consequently, the Notes are subject to restrictions on transfer and resale.

Application may be made to list the Notes on the Official List of the SGX-ST. However, if for any reason the Notes are not listed, the liquidity of the Notes may be negatively impacted.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency, credit or market risks, and/or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes. Even if the Notes are traded, they may trade at a discount from their initial issue price, depending on prevailing interest rates, the market for similar securities, our performance and other factors.

The Dealers have made no commitment and have no obligation to make a market in the Notes. Therefore, no assurance can be given that any Dealer will actually make a market in any Notes that are issued under the Program, or if it does, that it will continue to make a market in the future. No assurance can be given that an active trading market for any Notes will develop and therefore the liquidity of the Notes may be considerably less than for comparable debt securities.

We may vary the terms of Subordinated Notes.

We may, without the consent or approval of the Noteholders, but subject to the prior approval of the MAS, vary the terms of any Subordinated Notes so that they remain or, as appropriate, become Qualifying Securities, subject to certain conditions. The terms of such varied Subordinated Notes may contain one or more provisions, including, without limitation, the maturity date that are substantially different from the terms of the original Notes, provided that the Subordinated Notes become or remain Qualifying Securities in accordance with the Conditions. While we cannot make changes to the terms of the Subordinated Notes that give rise to any right of the Issuer to redeem the varied securities that is inconsistent with the redemption provisions of such Subordinated Notes, result in a Tax Event or Capital Event, or which do not comply with the rules of any stock exchange on which such Subordinated Note may be listed or admitted to trading, and following such variation the resulting securities must have at least, *inter alia*, the same ranking, interest rate, interest payment dates, redemption rights, existing rights to accrued interest which has not been paid and be assigned the same ratings as the Subordinated Notes, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. Furthermore, the Trustee has no obligation or ability to verify whether the requirements for such variations have been satisfied, and will have no discretion in determining whether any such variation results in terms that are materially less favorable to Noteholders. In addition, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Noteholder from the tax and stamp duty consequences for them of holding the Notes prior to such variation.

Upon the occurrence of a Trigger Event, clearance and settlement of the Notes will be suspended and there may be a delay in updating the records of the relevant clearing system to reflect the amount written-off.

Following the receipt of a Trigger Event Notice, all clearance and settlement of the Notes will be suspended. As a result, Noteholders will not be able to settle the transfer of any Notes from the commencement of the Suspension Period (as defined herein), and any sale or other transfer of the Notes that a holder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by the relevant clearing system and will not be settled within the relevant clearing systems.

While a Tranche of Subordinated Notes that contains non-viability loss absorption provisions is represented by one or more Global Notes or Global Certificates and a Trigger Event occurs, the records of Euroclear and Clearstream, Luxembourg or any other clearing system (other than the CMU) in respect of their respective participants' position held in such Tranche of Subordinated Notes may not be immediately updated to reflect the amount to be written-off (where applicable) and may continue to reflect the nominal amount of such Subordinated Notes prior to the Write-off as being outstanding, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-off is scheduled. Notwithstanding such delay, holders of such Subordinated Notes may lose the entire value of their investment in such Subordinated Notes on the date on which the Write-off occurs. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by

the participants and indirect participants to beneficial owners of interests in the Global Bond or Global Certificate will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Any credit ratings on the Notes do not address all risks relating to an investment in the Notes, and a downgrade in ratings may affect the market price and liquidity of the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, downgrade or withdrawal at any time by the assigning rating organization. Not all issues of Notes may be rated and such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be revised, downgraded, suspended or withdrawn entirely by the rating agencies. In addition, any of such actions by the rating agencies could reduce the number of potential investors of the Notes and adversely affect the prices and liquidity of the Notes.

The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Notes and may limit the receipt of payments by the beneficial owners of the Notes.

Because transfers of interests in the Global Notes or Global Certificates can be effected only through book entries at Clearstream, Luxembourg, Euroclear, CDP or the CMU in the case of the Global Notes or Global Certificates to be issued in reliance on Regulation S, or DTC, in the case of the Global Certificates to be issued in reliance on Rule 144A, for the accounts of their respective participants, the liquidity of any secondary market for Global Notes or Global Certificates may be reduced to the extent that some investors are unwilling to hold Notes in book-entry form in the name of a Clearstream, Luxembourg, Euroclear, CDP, the CMU or DTC participant. The ability to pledge interests in the Global Notes or Global Certificates may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes or Global Certificates may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to Clearstream, Luxembourg, Euroclear or DTC, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the interests in the Global Notes or Global Certificates. In the event of the insolvency of Clearstream, Luxembourg, Euroclear, CDP, the CMU, DTC or any of their respective participants in whose name interests in the Global Notes or Global Certificates are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on Global Notes or Global Certificates may be impaired.

Where the AMTNs are lodged with the Austraclear System, investors will have to rely on the procedures of Austraclear for transfer, payment and communication with us.

AMTNs will be issued in registered certificated form. Each Tranche of AMTNs will be represented by an AMTN Certificate. Each AMTN Certificate is a certificate representing the AMTNs of a particular Tranche and will be substantially in the form set out in the Note (AMTN) Deed Poll, duly completed and signed by us and authenticated by the Registrar in respect of AMTNs. An AMTN Certificate is not a negotiable instrument nor is it a document of title. Title to any AMTNs, which is the subject of an AMTN Certificate, is evidenced by entry in the Register and, in the event of a conflict, the Register shall prevail (subject to correction for fraud or proven error).

We may procure that the AMTNs are lodged with the Austraclear System. On lodgment, Austraclear will become the sole registered holder and legal owner of the AMTNs. Subject to the rules and regulations known as the “**Austraclear System Regulations**” established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear

System, participants of the Austraclear System (“**Accountholders**”) may acquire rights against Austraclear in relation to those AMTNs as beneficial owners and Austraclear is required to deal with the AMTNs in accordance with the directions and instructions of the Accountholders. Investors in AMTNs who are not Accountholders would need to hold their interest in the relevant AMTNs through a nominee who is an Accountholder. All payments made by us in respect of AMTNs lodged with the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear System Regulations.

Where the AMTNs are lodged with the Austraclear System, any transfer of AMTNs will be subject to the Austraclear System Regulations. Secondary market sales of AMTNs cleared through the Austraclear System will be settled in accordance with the Austraclear System Regulations.

Investors may experience difficulties in effecting service of legal process, recovering in civil proceedings for United States securities laws violations, enforcing foreign judgments or bringing original actions against us or our management in Singapore, Malaysia, Indonesia, Greater China or any of the jurisdictions in which our subsidiaries are incorporated or operate based on United States or other foreign laws.

We are a company with limited liability incorporated under the laws of Singapore and substantially all of our assets are located outside the United States. In addition, most or all of our directors and executive officers reside outside the United States, and a substantial portion of their assets are located outside of the United States. We conduct a substantial majority of our operations in Singapore and Malaysia and significantly all of our or our subsidiaries’ assets are located in Singapore, Malaysia, Greater China and Indonesia. We have been advised by Allen & Gledhill LLP, our Singapore counsel, that judgments of U.S. courts based upon the civil liability provisions of U.S. federal or state securities laws are not enforceable in Singapore courts and that there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts of civil liabilities predicated solely upon the U.S. federal or state securities laws.

As a result, it may not be possible for investors to effect service of process within the United States upon us or our subsidiaries or any of our respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, we cannot assure investors that civil liabilities predicated upon the federal or state securities laws of the United States will be enforceable in such jurisdictions. See “Enforceability of Judgments”.

We may not continue to enjoy tax concessions under Singapore tax laws.

The Notes to be issued from time to time under the Program during the period from the date of this Offering Memorandum to December 31, 2018 are, pursuant to the Income Tax Act, Chapter 134 of Singapore (“**ITA**”) and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by the MAS on June 28, 2013, intended to be “qualifying debt securities” for the purposes of the ITA subject to the fulfillment of certain conditions more particularly described in the section “Taxation – Singapore Taxation”. However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

Tax treatment of Subordinated Notes that contain non-viability loss absorption provisions is unclear.

It is not clear whether any particular Tranche of the Subordinated Notes which contains non-viability loss absorption provisions will be regarded as debt securities by the Inland Revenue Authority of Singapore for the purposes of the ITA and whether the tax concessions available for qualifying debt securities under the Qualifying Debt Securities Scheme (as set out in “Taxation – Singapore Taxation”) would apply to such Tranche of the Subordinated Notes.

If any Tranche of the Subordinated Notes is not regarded as debt securities for the purposes of the ITA and/or holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities Scheme, the tax treatment to holders may differ. Investors and holders of any Tranche of the Subordinated Notes should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of such Tranche of the Subordinated Notes.

We may be required to withhold U.S. tax and a holder of the Notes may become subject to U.S. withholding tax.

With respect to Notes in global form that are held within Euroclear Bank or Clearstream (together, the “**ICSDs**”), in all but the most remote circumstances, it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) will affect the amount of any payment received by the ICSDs (see “Taxation – United States Taxation – U.S. Foreign Account Tax Compliance Withholding”). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the Common Depositary or Common Safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO US, THE NOTES AND NOTEHOLDERS IS UNCERTAIN AT THIS TIME. EACH NOTEHOLDER SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Noteholders may face certain risks associated with exchange rate fluctuations and any modifications to exchange controls.

We will pay principal and interest on the Notes in the currency specified (the “**Settlement Currency**”). This presents certain risks relating to currency conversions if a Noteholder’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or appreciation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Settlement Currency or Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Settlement Currency would decrease (a) the Investor’s Currency-equivalent yield on the Notes, (b) the Investor’s Currency-equivalent value of the principal payable on the Notes and (c) the Investor’s Currency-equivalent market value of the Notes. Imposition of exchange controls by government and monetary authorities could materially adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

Noteholders may be adversely affected by proposals to reform key benchmarks such as LIBOR, SIBOR and SOR.

A change in the method of calculation or discontinuance of key benchmarks such as the London Inter-Bank Offered Rate (“**LIBOR**”), or Singapore dollar interest rate benchmarks such as the Singapore Interbank Offered Rates (“**SIBOR**”) and Swap Offered Rates (“**SOR**”), could have a negative impact on the value of any Floating Rate Notes where the interest rate is calculated with reference to such benchmarks. The British Banker’s Association, has recently handed over the administration of LIBOR to Intercontinental Exchange Benchmark Administration Ltd (“**ICEX**”) on February 1, 2014. As ICEX is a new administrator, it may make methodological changes that could change the level of LIBOR, which in turn may adversely affect the value of the Notes or alter, discontinue or suspend the calculation or dissemination of LIBOR. ICEX will not have any obligation to any investor in respect of any Notes. ICEX may take any actions in respect of LIBOR without regard to the interests of any investor in the Notes, and any of these actions could have an adverse effect on the value of the Notes.

In addition, the proposals suggest reducing the number of currencies and tenors for which LIBOR is calculated. If the rate of interest on the relevant Floating Rate Notes is calculated with reference to a discontinued currency or tenor, or the proposed changes when implemented otherwise change the way in which LIBOR is calculated under such Floating Rate Notes, this could result in the rate of interest being lower than anticipated, which would adversely affect the value of the Floating Rate Notes.

The proposals to reform LIBOR also include compelling more banks to provide LIBOR submissions, and basing these submissions on data from actual transactions. This may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of the Notes.

In addition, the MAS proposed a number of reforms in 2013 in connection with SIBOR and SOR, including, among others, requirements for administrators of key benchmarks to establish effective arrangements for regular monitoring and surveillance of benchmark submissions, robust governance arrangements to identify and mitigate actual and potential conflicts of interest and a committee responsible for overseeing the benchmark administration process and code of conduct for submitters. To the extent SIBOR or SOR become subject to additional MAS or industry regulations which adversely affect the volatility or level of such benchmarks, Floating Rate Notes calculated with reference to such benchmarks could be adversely affected.

Risks Related to Renminbi-Denominated Notes

Notes denominated in Renminbi (“**RMB Notes**”) may be issued under the Program. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the People’s Republic of China (the “PRC”).

The PRC government continues to regulate conversion between Renminbi and foreign currencies. In 2011, the PRC government issued certain new rules imposing significant restrictions to the remittance of Renminbi into and out of the PRC, including, among other things, restrictions on the remittance of Renminbi into the PRC by way of direct investments or loans. On February 25, 2011, the Ministry of Commerce promulgated the Circular on Issues Concerning Foreign Investment Management under which prior written consent from the Ministry of Commerce (Foreign Investment Department) (“**MOC**”) is required for certain circumstances relating to foreign investors making investments with Renminbi funds. On June 3, 2011, the People’s Bank of China (the “**PBOC**”) issued the Circular on Clarifications of Relevant Issues Concerning Cross-Border

Renminbi Affairs under which approval from the PBOC is required in addition to approval from the MOC for certain circumstances relating to foreign investors making investments with Renminbi funds.

As these regulations and rules are relatively new, there is some uncertainty regarding their interpretation and enforcement. Moreover, there is no assurance that the PRC government will continue to gradually liberalize the control over cross-border remittances of Renminbi funds in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi funds into or out of the PRC. Each investor should consult its own advisors to obtain a more detailed explanation of how the PRC regulations and rules may affect their investment decisions.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and our ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited and subject to certain deposit restrictions. In addition, participating banks are required by the HKMA to maintain a total amount of Renminbi of no less than 25.0% of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilize for conversion services for their customers.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC rules and regulations will not be promulgated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent we are required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that we will be able to source such Renminbi on satisfactory terms, if at all.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes.

All payments to investors in respect of RMB Notes will be made solely (a) when RMB Notes are represented by Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong or Singapore, as the case may be, in accordance with prevailing CMU rules and procedures or CDP rules, as the case may be, or (b) when RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or Singapore in accordance with prevailing rules and regulations. We cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the exchange rates between Singapore dollars and U.S. dollars based on the average mid-day rate published by the MAS on each business day during the relevant period.

Fiscal Year/Period	Singapore dollars per U.S.\$1.00			
	Mid-Day Rate			
	Average	Low	High	Period End
2009	1.4541	1.3796	1.5537	1.4034
2010	1.3630	1.2847	1.4217	1.2875
2011	1.2577	1.2009	1.3166	1.3007
2012	1.2496	1.2183	1.2994	1.2221
2013	1.2513	1.2208	1.2846	1.2653

The following table sets forth, for the periods indicated, information concerning the exchange rates between Singapore dollars and U.S. dollars based on the average mid-day rate published by the MAS on each business day during the relevant period.

Month	Singapore dollars per U.S.\$1.00			
	Mid-Day Rate			
	Average	Low	High	Period End
January 2014	1.2725	1.2639	1.2815	1.2759
February 2014	1.2667	1.2595	1.2779	1.2672
March 2014	1.2674	1.2605	1.2770	1.2605

The above tables illustrate how many Singapore dollars it would take to buy one U.S. dollar. These transactions should not be construed as a representation that those Singapore dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Singapore dollars, as the case may be, at any particular rate, or at all.

Exchange Controls

Currently, there are no exchange control restrictions in Singapore.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series and to AMTNs (as defined below). These terms and conditions, together with the relevant provisions of the applicable Pricing Supplement, as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes (other than AMTNs). All capitalized terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Program. References in these Conditions to the “Issuer” are to the Issuer issuing Notes under one Series, which, in the case of any Senior Notes, is a reference to Oversea-Chinese Banking Corporation Limited (“OCBC”) or any of its branches outside Singapore or certain other companies in and outside Singapore, each being a subsidiary of OCBC (as may be specified in the applicable Pricing Supplement) and in the case of any Subordinated Notes, is a reference to OCBC.

The Notes (other than Notes which are specified in the applicable Pricing Supplement as being denominated in Australian dollars, issued in the Australian domestic capital market and ranking as senior obligations of the Issuer (“AMTNs”)) are constituted by an amended and restated trust deed (as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) dated April 3, 2014 between Oversea-Chinese Banking Corporation Limited (“OCBC”) (as may be acceded to by any branch of OCBC outside Singapore and Specified Issuers (as defined below) from time to time by the execution of a deed of accession in respect of Senior Notes (as defined below) only) and The Bank of New York Mellon, London Branch (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below) and, if the Notes are specified in the applicable Pricing Supplement as being governed by Singapore law, as supplemented by the Singapore supplemental trust deed (as amended or supplemented as at the Issue Date) dated April 3, 2014 between OCBC (as may be acceded to by any branch of OCBC outside Singapore and Specified Issuers from time to time by the execution of a deed of accession in respect of Senior Notes only) and the Trustee (the “Singapore Supplemental Trust Deed”), and where applicable, the Notes which are specified in the applicable Pricing Supplement to be held in and cleared through The Central Depository (Pte) Limited (“CDP”) are issued with the benefit of a deed of covenant dated August 31, 2012 relating to the Notes executed by OCBC (as amended, varied or supplemented from time to time, the “CDP Deed of Covenant”). AMTNs will be constituted by the Deed Poll dated July 5, 2011 (as amended and supplemented from time to time, the “Note (AMTN) Deed Poll”). The provisions of these Conditions (as defined below) relating to Bearer Notes, Certificates, Receipts, Coupons and Talons do not apply to Notes specified in the Pricing Supplement as being AMTNs. The Trustee is not appointed in respect of AMTNs, therefore, to the extent that these Conditions relate to AMTNs, any reference herein to the agreement, opinion, approval, consent, satisfaction or any similar action or decision (however described) being specified or required of, from, by or on the part of the Trustee with respect to any Notes or documents, such agreement, opinion, approval, consent, satisfaction or any similar action or decision (however described) of the Trustee shall not be required in respect of any such AMTNs, the Note (AMTN) Deed Poll or any other document or agreement in connection with them and, where relevant, any other documents expressed to be applicable to a tranche of Notes.

These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons defined and referred to below. OCBC (and any other branches of OCBC outside Singapore and Specified Issuers which may from time to time accede to the Agency

Agreement (as defined below) by the execution of a deed of accession in respect of Senior Notes only), the Trustee, The Bank of New York Mellon, London Branch, as initial issuing and paying agent in relation to each Series of Notes other than Series of Notes to be held through CDP or in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU**”), The Bank of New York Mellon, Hong Kong Branch as initial CMU lodging and paying agent in relation to each Series of Notes to be held in the CMU, The Bank of New York Mellon, Singapore Branch as initial CDP paying agent in relation to each Series of Notes to be held in CDP and the other agents named therein have entered into an amended and restated agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated April 3, 2014 in relation to the Notes (other than AMTNs) and, if the Notes are specified in the applicable Pricing Supplement as being governed by Singapore law, as supplemented by the Singapore supplemental agency agreement (as amended and supplemented as at the Issue Date) dated April 3, 2014 between the Issuer, the CDP paying agent and the other agents named therein (the “**Singapore Supplemental Agency Agreement**”). OCBC and BTA Institutional Services Australia Limited as registrar and issuing and paying agent in Australia (the “**Australian Agent**”) have entered into an Agency and Registry Services Agreement (as amended and supplemented from time to time, the “**Australian Agency Agreement**”) dated July 5, 2011 in relation to the AMTNs. The issuing and paying agent, the CMU lodging and paying agent, the CDP paying agent, the other paying agents, the registrar, the Australian agent, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**CDP Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the CDP Paying Agent and the Australian Agent), the “**Registrar**”, the “**Australian Agent**”, the “**Transfer Agents**” (which expression shall include the Registrar and the Australian Agent) and the “**Calculation Agent(s)**”. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Issuing and Paying Agent shall (i) with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and (ii) with respect to a Series of Notes to be held in CDP, be deemed to be a reference to the CDP Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed, the Singapore Supplemental Trust Deed, the Singapore Supplemental Agency Agreement, the CDP Deed of Covenant, the Note (AMTN) Deed Poll, the Agency Agreement and the Australian Agency Agreement referred to above are available for inspection free of charge during usual business hours at the principal office of the Trustee (presently at One Canada Square, 40th Floor, London, E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents (other than the Australian Agent). The Note (AMTN) Deed Poll will be held by the Australian Agent and copies of the Note (AMTN) Deed Poll and the Australian Agency Agreement referred to above are available for inspection free of charge during usual business hours at the principal office of the Australian Agent (presently at Level 2, 35 Clarence Street, Sydney, NSW 2000, Australia).

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where specified in the applicable Pricing Supplement, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of installments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in installments (the “**Receiptholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, these Conditions, (in respect of the holders of Notes (other than AMTNs)) all the provisions of the Trust Deed, the applicable Pricing Supplement and (in respect of the AMTN holders only) the Note (AMTN) Deed Poll, and, in the case of Notes specified in the applicable Pricing Supplement as being governed by Singapore law, the Singapore Supplemental Trust Deed, and are deemed to have notice of those provisions applicable to them of the Agency Agreement, the Australian Agency Agreement or the Singapore Supplemental Agency Agreement, as the case may be. The Pricing Supplement for any Notes (or the relevant provisions thereof) shall be attached to or endorsed on such Notes. References to “applicable Pricing Supplement” are to the Pricing Supplement (or relevant provisions thereof) attached to or endorsed on the relevant Notes.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects, “**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same Series Number specified in the applicable Pricing Supplement, “**Specified Issuer**” means, in respect of Senior Notes only, certain other companies in and outside Singapore, each being a subsidiary of OCBC, as may be specified in the applicable Pricing Supplement and “**subsidiary**” has the meaning given to this term under the Companies Act, Chapter 50 of Singapore.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), as specified in the applicable Pricing Supplement, in each case in the Specified Currency and Specified Denomination(s) shown in the applicable Pricing Supplement provided that the minimum Specified Denomination shall be U.S.\$200,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and integral multiples of U.S.\$1,000 (or its equivalent in other currencies) in excess thereof. AMTNs and Subordinated Notes (as defined in Condition 3(b)) will only be issued in registered certificated form.

All Registered Notes shall have the same Specified Denomination. Unless otherwise permitted by the then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies). Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.\$200,000 (or its equivalent in other currencies) and integral multiples of U.S.\$1,000 (or its equivalent in other currencies) in excess thereof, subject to compliance with all legal and/or regulatory requirements applicable to the relevant currency. Notes which are listed on SGX-ST will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Any Bearer Note for which the applicable Pricing Supplement indicates such Notes are Installment Notes is issued with one or more Receipts attached.

Registered Notes (other than AMTNs) are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar or the Australian Agent in accordance with the provisions of the Agency Agreement or the Australian Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts, Coupons or Talons relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalized terms have the meanings given to them in the applicable Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

References in these Conditions to Coupons, Talons, Couponholders, Receipts and Receiptholders relate to Bearer Notes only.

In the case of AMTNs, the following provisions shall apply in lieu of the foregoing provisions of Condition 1 in the event of any inconsistency.

AMTNs will be debt obligations of the Issuer owing under the Note (AMTN) Deed Poll, will be represented by a certificate (“**AMTN Certificate**”) and will take the form of entries in a Register to be established and maintained by the Australian Agent in Sydney unless otherwise agreed with the Australian Agent (pursuant to the Australian Agency Agreement). The Agency Agreement and any Singapore Supplemental Agency Agreement are not applicable to the AMTNs.

AMTNs will not be serially numbered. Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of the Issuer to the relevant Noteholder. The obligations of the Issuer in respect of each AMTN constitute separate and independent obligations which the Noteholder is entitled to enforce in accordance with these Conditions and the Note (AMTN) Deed Poll. Other than an AMTN Certificate, no certificate or other evidence of title will be issued by or on behalf of the Issuer unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No AMTN will be registered in the name of more than four persons. AMTNs registered in the name of more than one person are held by those persons as joint tenants. AMTNs will be registered by name only, without reference to any trusteeship and an entry in the Register in relation to an AMTN constitutes conclusive evidence that the person so entered is the registered owner of such AMTN, subject to rectification for fraud or error.

Upon a person acquiring title to any AMTNs by virtue of becoming registered as the owner of that AMTN, all rights and entitlements arising by virtue of the Note (AMTN) Deed Poll in respect of that AMTN vest absolutely in the registered owner of the AMTN, such that no person who has previously been registered as the owner of the AMTN has or is entitled to assert against the Issuer or the Australian Agent or the registered owner of the AMTN for the time being and from time to time any rights, benefits or entitlements in respect of the AMTN.

Each Tranche of AMTNs will be represented by a single AMTN Certificate substantially in the form set out in the Note (AMTN) Deed Poll. The Issuer shall issue and deliver, and procure the authentication by the Australian Agent of, such number of AMTN Certificates as are required from time to time to represent all of the AMTNs of each Series. An AMTN Certificate is not a negotiable instrument nor is it a document of title in respect of any AMTNs represented by it. In the event of a conflict between any AMTN Certificate and the Register, the Register shall prevail (subject to correction for fraud or proven error).

2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes may not be exchanged for Registered Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.
- (b) **Transfer of Registered Notes (other than AMTNs):** This Condition 2(b) does not apply to AMTNs which are specified in the applicable Pricing Supplement to be Registered Notes. Subject to Condition 2(g), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require without service charge and subject to payment of any taxes, duties and other governmental charges in respect of such transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

Any transfer of interests in Notes evidenced by a Global Note or a Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

Any transfer of interests in any Subordinated Notes that are the subject of a Trigger Event Notice issued in accordance with Condition 6 shall not be permitted during any Suspension Period (as defined below).

- (c) **Exercise of Options or Partial Redemption, Write-off or Conversion in Respect of Registered Notes:** In the case of an exercise of an Issuer or Noteholder's option in respect of, or a partial redemption or (as the case may be) a partial Write-off (as defined in Condition 6(b)(i)) or conversion (if specified and as described in the applicable Pricing Supplement) of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed, Written-off or converted. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any

Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or Condition 2(c) shall be available for delivery within five business days of receipt of the request for transfer, exercise, redemption or exchange, form of transfer or Exercise Notice (as defined in Condition 5(e)) and surrender of the Certificate for transfer, exercise or redemption, except for any Write-off pursuant to Condition 6 or conversion (if specified and as described in the applicable Pricing Supplement) in which case any new Certificate to be issued shall be available for delivery as soon as reasonably practicable. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for transfer, exercise, redemption or exchange, form of transfer, Exercise Notice and/or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfers of AMTNs:** AMTNs may be transferred in whole but not part. Unless lodged in the clearing system operated by Austraclear Ltd (“**Austraclear**”), the AMTNs will be transferable by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Agent or by any other manner approved by the Issuer and the Australian Agent. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Agent may require to prove the title of the transferor or the transferor’s right to transfer the AMTNs and be signed by both the transferor and the transferee. AMTNs may only be transferred within, to or from Australia if (i) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (or its equivalent in any other currency and, in either case, disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of the Commonwealth of Australia (the “**Australian Corporations Act**”), (ii) the transfer is not to a “retail client” for the purposes of section 761G of the Australian Corporations Act, (iii) the transfer is in compliance with all applicable laws, regulations or directives (including, without limitation, in the case of a transfer to or from Australia, the laws of the jurisdiction in which the transfer takes place), and (iv) in the case of a transfer between persons outside Australia, if a transfer and acceptance form is signed outside Australia. A transfer to an unincorporated association is not permitted.

A person becoming entitled to an AMTN as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Australian Agent considers sufficient, transfer such AMTN or, if so entitled, become registered as the holder of the AMTN.

Where the transferor executes a transfer of less than all of the AMTNs registered in its name, and the specific AMTNs to be transferred are not identified, the Australian Agent may register the transfer in respect of such of the AMTNs registered in the name of the transferor as the Australian Agent thinks fit, provided the aggregate nominal amount of the AMTNs registered as having been transferred equals the aggregate nominal amount of the AMTNs expressed to be transferred in the transfer.

- (f) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption, Write-off or conversion (if and as specified in the applicable Pricing Supplement) shall be effected without charge by or on behalf of the Issuer, the Registrar, the Australian Agent or the Transfer Agents, but upon payment by the relevant Noteholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar, the Australian Agent or the relevant Transfer Agent may require).
- (g) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Installment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption, (iv) during the period of seven days ending on (and including) any Record Date, or (v) in respect of any Subordinated Notes, during a Suspension Period.

In these Conditions, “**Suspension Period**” means the period commencing on the business day in Singapore immediately following the date of a Trigger Event Notice (as defined in Condition 6(d)) and ending on the earlier of the close of business in Singapore on:

- (i) the date on which the Registrar or any other Agent has (A) reflected the relevant Write-off or conversion (if and as specified in the applicable Pricing Supplement) in the Register or (B) issued a new Certificate (as the case may be) to such Noteholder in respect of the related Write-off or conversion (if and as specified in the applicable Pricing Supplement); and
- (ii) on the tenth business day in Singapore immediately following the date of any such notice.

In relation to any Suspension Period, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

3 Status

- (a) **Status of Senior Notes:** The senior notes (being those Notes that specify their status as senior in the applicable Pricing Supplement (the “**Senior Notes**”)) and the Receipts and Coupons relating to them constitute direct and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

- (b) **Status of Subordinated Notes:** The subordinated notes (being those Notes that specify their status as subordinated in the applicable Pricing Supplement) (the “**Subordinated Notes**”) constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated as described below.
- (c) **Subordination:** Upon the occurrence of any winding-up proceeding, the rights of the Noteholders to the payment of the principal of, and interest on, the Subordinated Notes and any other obligations in respect of the Subordinated Notes are expressly subordinated and subject in right of payment to the prior payment in full of all claims of Senior Creditors and will rank senior to the claims of the holders of all share capital of the Issuer and Additional Tier I Capital Securities and/or as otherwise specified in the applicable Pricing Supplement or in a supplement to the Offering Memorandum. The Subordinated Notes will rank *pari passu* with Tier II Capital Securities and/or as otherwise specified in the applicable Pricing Supplement or in a supplement to the Offering Memorandum. In the event that (i) the Noteholders do not receive payment in full of the principal amount due and payable in respect of the Subordinated Notes plus interest thereon accrued to the date of repayment in any winding-up of the Issuer and (ii) the winding-up order or resolution passed for the winding-up of the Issuer or the dissolution of the Issuer is subsequently stayed, discharged, rescinded, avoided, annulled or otherwise rendered inoperative, then to the extent that such Noteholders did not receive payment in full of such principal of and interest on such Subordinated Notes, such unpaid amounts shall remain payable in full; provided that payment of such unpaid amounts shall be subject to the provisions under this Condition 3, Condition 6 and Condition 10(b)(ii) and Clause 5 and Clause 7.2 of the Trust Deed.

The Issuer has agreed, pursuant to the terms of the Trust Deed to indemnify the Noteholders against any loss incurred as a result of any judgment or order being given or made for any amount due under the Subordinated Notes and such judgment or order being expressed and paid in a currency other than the Specified Currency. Any amounts due under such indemnification will be similarly subordinated in right of payment with other amounts due on the Subordinated Notes and payment thereof shall be subject to the provisions under this Condition 3 and Condition 10(b)(ii) and Clause 7.2 of the Trust Deed.

On a winding-up of the Issuer, there may be no surplus assets available to meet the claims of the Noteholders after the claims of the parties ranking senior to the Noteholders (as provided in this Condition 3 and Clause 5 of the Trust Deed) have been satisfied.

The subordination provisions set out in this Condition 3(c) are effective only upon the occurrence of any winding-up proceedings of the Issuer. In the event that a Trigger Event occurs, the rights of holders of Subordinated Notes shall be subject to Condition 6. This may not result in the same outcome for holders of Subordinated Notes as would otherwise occur under this Condition 3(c) upon the occurrence of any winding-up proceedings.

In these Conditions:

“**Additional Tier I Capital Securities**” means (i) any security issued by the Issuer or (ii) other similar instrument issued by any subsidiary of the Issuer that is guaranteed by the Issuer, that, in each case, constitutes additional Tier I capital instruments of the Issuer on an unconsolidated basis, pursuant to the relevant requirements set out in MAS Notice 637.

“**MAS**” means the Monetary Authority of Singapore or such other governmental authority having primary bank supervisory authority with respect to the Issuer.

“**MAS Notice 637**” means the MAS Notice 637 – “Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore” issued by MAS, as amended, replaced or supplemented from time to time.

“**Offering Memorandum**” means the offering memorandum dated April 3, 2014 relating to the Notes (which term shall include those documents incorporated in it by reference from time to time as provided in it) as from time to time amended, supplemented or replaced (but not including any information or documents replaced or superseded by any information so subsequently included or incorporated).

“**Senior Creditors**” means creditors of the Issuer (including the Issuer’s depositors) other than those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of the Subordinated Notes.

“**Tier II Capital Securities**” means any security or other similar instrument issued by the Issuer that constitutes a Tier II capital instrument of the Issuer pursuant to the relevant requirements set out in MAS Notice 637.

- (d) **Set-off and Payment Void:** No Noteholder of Subordinated Notes, may exercise, claim or plead any right of set-off, counterclaim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes. Each Noteholder shall, by acceptance of any Subordinated Note, be deemed to have waived all such rights of set-off, counterclaim or retention to the fullest extent permitted by law. If at any time any Noteholder receives payment or benefit of any sum in respect of the Subordinated Notes (including any benefit received pursuant to any such set-off, counter-claim or retention) other than in accordance with the provisions in the second paragraph of Condition 10(b)(ii) and Clause 7.2.2 of the Trust Deed, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such Noteholder, by acceptance of such Subordinated Note, shall agree as a separate and independent obligation that any such sum or benefit so received shall forthwith be paid or returned in full by such Noteholder to the Issuer upon demand by the Issuer or, in the event of the winding-up of the Issuer, the liquidator of the Issuer, whether or not such payment or receipt shall have been deemed void under the Trust Deed. Any sum so paid or returned shall then be treated for purposes of the Issuer’s obligations as if it had not been paid by the Issuer, and its original payment shall be deemed not to have discharged any of the obligations of the Issuer under the Subordinated Notes.

4 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** If a Note is specified in the applicable Pricing Supplement as a Fixed Rate Note, it shall bear interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest (as defined in Condition 4(l) below), such interest being payable in arrear on each Interest Payment Date specified in the applicable Pricing Supplement. The amount of interest payable shall be determined in accordance with Condition 4(g), Condition 4(h), Condition 4(i) and Condition 4(j).

(b) **Interest on Floating Rate Notes (for non-Singapore Dollar Notes) and Index Linked Interest Notes:**

- (i) *Interest Payment Dates:* If a Note is specified in the applicable Pricing Supplement as being a Floating Rate Note or an Index Linked Note, it shall bear interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(g), Condition 4(h), Condition 4(i) and Condition 4(j). Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

In this Condition 4(b), Floating Rate Note shall refer to a Floating Rate Note which is denominated in a currency other than Singapore dollars.

- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day (as defined in Condition 4(l)), then, if the Business Day Convention specified in the applicable Pricing Supplement is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this Condition 4(b)(iii)(A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Pricing Supplement;

- (y) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this Condition 4(b)(iii)(A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of the London Interbank Offered Rate (“**LIBOR**”) or Brussels time in the case of the Euro Interbank Offered Rate (“**EURIBOR**”) or Hong Kong time in the case of the Hong Kong Interbank Offered Rate (“**HIBOR**”)) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

- (y) if the Relevant Screen Page is not available or if, Condition 4(b)(iii)(B)(x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if Condition 4(b)(iii)(B)(x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the

Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if Condition 4(b)(iii)(B)(y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4(b)(iii)(B)(z), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the applicable Pricing Supplement.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified in the applicable Pricing Supplement to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note specified in the applicable Pricing Supplement. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortization Yield (as described in Condition 5(b)(i)(B)).
- (d) **Credit Linked Notes, Equity Linked Notes and Bond Linked Notes:** In the case of Notes which are specified in the applicable Pricing Supplement as being Credit Linked Notes, Equity Linked Notes or Bond Linked Notes, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.
- (e) **Dual Currency Notes:** In the case of Notes which are specified in the applicable Pricing Supplement as being Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.
- (f) **Partly-Paid Notes:** In the case of Notes which are specified in the applicable Pricing Supplement as being Partly-Paid Notes (other than Partly-Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.
- (g) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 8).
- (h) **Margin, Maximum/Minimum Rates of Interest, Installment Amounts and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to Condition 4(h)(ii).
 - (ii) If any Maximum or Minimum Rate of Interest, Installment Amount or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest, Installment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down

to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

- (i) **Calculations:** The amount of interest payable per calculation amount specified in the applicable Pricing Supplement (or, if no such amount is so specified, the Specified Denomination) (the “**Calculation Amount**”) in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement, and the Day Count Fraction specified in the applicable Pricing Supplement for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (j) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Installment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Installment Amount specified in the applicable Pricing Supplement, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for the relevant Interest Accrual Period and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Installment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 4 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (k) **Determination or Calculation by the Trustee or its agent:** In the case of Notes other than AMTNs, if the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (but without any liability attaching to the Trustee as a result in the absence of any negligence, willful misconduct or fraud of which it may be guilty) (or shall appoint an agent on its behalf to do so at the expense of the Issuer) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as, in its absolute discretion, it shall deem fair and reasonable in all the circumstances. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Trustee pursuant to this Condition 4(k) shall (in the absence of manifest error) be final and binding upon all parties.
- (l) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) if the Specified Currency is not Singapore dollars, Euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center for such currency; and/or
- (ii) if the Specified Currency is Euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (iii) if the Specified Currency is Renminbi:
 - (A) and the Notes are cleared through the CMU, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong;
 - (B) and the Notes are cleared through CDP, a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Singapore and Hong Kong; and
 - (C) the Notes are cleared through Euroclear Bank S.A./N.V. (**“Euroclear”**) and Clearstream Banking, *société anonyme* (**“Clearstream, Luxembourg”**), a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London;
- (iv) if the Specified Currency is Singapore dollars:
 - (A) and the Notes are cleared through The Central Depository (Pte) Limited (**“CDP”**), a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore; and
 - (B) the Notes are cleared through Euroclear and Clearstream, Luxembourg, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London; and/or

- (v) in the case of a Specified Currency and/or one or more Business Centers specified in the applicable Pricing Supplement a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such Specified Currency in the Business Center(s) or, if no Specified Currency is indicated, generally in each of the Business Centers.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/360”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

- (vii) if “**Actual/Actual – ICMA**” is specified in the applicable Pricing Supplement,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s); and

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

- (viii) if “**RBA Bond Basis**” is specified in the applicable Pricing Supplement, means one divided by the number of Interest Payment Dates in a year (or where the Calculation Period does not constitute an Interest Period, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of:
- (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
 - (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)).

“**Euro**” means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

“**Euro-zone**” means the region comprising member states of the European Union that adopts the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

“Interest Determination Date” means with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi or (ii) the day falling two Business Days in the relevant Financial Center for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Pricing Supplement.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Pricing Supplement.

“Reference Banks” means (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and (iii) in the case

of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Pricing Supplement.

“Reference Rate” means the rate specified as such in the applicable Pricing Supplement. **“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the relevant Financial Center specified in the applicable Pricing Supplement or, if none is specified, the local time in the relevant Financial Center at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the relevant Financial Center or, if no such customary local time exists, 11:00 a.m. in the relevant Financial Center and, for the purpose of this definition “local time” means, with respect to the Euro-zone as a relevant Financial Center, Central European Time.

“Specified Currency” means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (m) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is outstanding (as defined, in the case of Notes other than AMTNs, in the Trust Deed and, in the case of AMTNs, in the Note (AMTN) Deed Poll). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (n) **Interest on Floating Rate Notes or Variable Rate Notes (for Singapore Dollar Notes):** Unless otherwise specified in the relevant Pricing Supplement, the following provisions will apply to Singapore Dollar Notes which are specified in the applicable Pricing Supplement as being either Floating Rate Notes or Variable Rate Notes. Terms used in this Condition 4(n) are defined in Condition 4(n)(vii) below.

- (i) *Interest Payment Dates:* Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from and including the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each date (“**Interest Payment Date**”) which (save as mentioned in this Condition 4) falls the number of months specified as the Interest Period on the face of the Note (the “**Specified Number of Months**”) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 4(n)(iii) in respect of any Variable Rate Note for any Interest Period (as defined below) relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month. In any such case as aforesaid or if there is no date in the relevant month which corresponds numerically with the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date (a) the Interest Payment Date shall be brought forward to the immediately preceding business day and (b) each subsequent Interest Payment Date shall be the last business day of the month which is the last of the Specified Number of Months after the month in which the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall have fallen.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an “Interest Period” and “**business day**” in this Condition 4(n) means a day (other than Saturday or Sunday) on which commercial banks are open for business in Singapore.

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(n) and the Agency Agreement to the Relevant Date (as defined below).

- (ii) *Rate of Interest-Floating Rate Notes:*

- (A) Each Floating Rate Note bears interest at a floating rate determined by reference to a benchmark as stated on the face of such Floating Rate Note and the applicable Pricing Supplement, being the Singapore Interbank Offered Rate (“**SIBOR**”) (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any case such other benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The “Spread” is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 4(n)(iv) below.

(B) The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in this Condition 4 as the “**Rate of Interest**”. The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 4(n) will be determined by the Calculation Agent on the basis of the following provisions:

(x) in the case of Floating Rate Notes which are specified in the applicable Pricing Supplement as being SIBOR Notes

(1) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSFIX01 page under the caption “ASSOCIATION OF BANKS IN SINGAPORE – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 A.M. SINGAPORE TIME” and the column headed “SGD SIBOR” (or such other Relevant Screen Page);

(2) if no such rate appears on the Reuters Screen ABSFIX01 page (or such other replacement page thereof), the Calculation Agent will, at or about the Relevant Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears on the Reuters Screen SIBP page under the caption “SINGAPORE DOLLAR INTER-BANK OFFERED RATES – 11:00 A.M.” and the row headed “SIBOR SGD” (or such other replacement page thereof), being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period;

(3) if no such rate appears on the Reuters Screen SIBP page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen SIBP page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of such offered quotations, as determined by the Calculation Agent;

(4) if on any Interest Determination Date two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (3) above on the basis of the quotations of those Reference Banks providing such quotations; and

- (5) if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the rate per annum which the Calculation Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date.
- (y) in the case of Floating Rate Notes which are specified in the applicable Pricing Supplement as being Swap Rate Notes
- (1) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Calculation Agent as being the rate which appears on the Reuters Screen ABSFIX01 page under the column headed "SGD SOR RATES" (or such other page as may replace Reuters Screen ABSFIX01 page for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period);
- (2) if on any Interest Determination Date, no such rate is quoted on Reuters Screen ABSFIX01 page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Average Swap Rate (which shall be rounded up to the nearest 1/16%) as the rate for such Interest Period published by a recognized industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Calculation Agent may select;
- (3) if on any Interest Determination Date the Calculation Agent is unable to determine the Average Swap Rate under 4(n)(ii)(B)(y)(3) (2) above, the Average Swap Rate shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time

on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, in an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Calculation Agent), or if on such Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16%) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date.

- (C) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iii) *Agreed Yield – Variable Rate Notes*

- (A) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this Condition 4(n)(iii). The interest payable in respect of a Variable Rate Note for each Interest Period relating to that Variable Rate Note, which shall be payable on the first day of such Interest Period, is referred to in this Condition 4(n)(iii) as the “**Agreed Yield**”.
- (B) The Agreed Yield payable from time to time in respect of each Variable Rate Note for each Interest Period relating to such Variable Rate Note shall be determined as follows:
 - (x) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the fifth business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavor to agree on an Agreed Yield in respect of such Variable Rate Note for such Interest Period; and
 - (y) if the Issuer and the Relevant Dealer shall not have agreed an Agreed Yield in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the fifth business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in Condition 4(n)(iii)(B)(x), the Agreed Yield for such Variable Rate Note for such Interest Period shall be zero.

- (C) The Issuer has undertaken to the Issuing and Paying Agent and the Calculation Agent that it will as soon as possible after the Agreed Yield in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:
- (x) notify the Issuing and Paying Agent and the Calculation Agent in writing of the Agreed Yield for such Variable Rate Note for such Interest Period; and
 - (y) cause such Agreed Yield for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.
- (D) The Issuer will pay the Agreed Yield applicable to each Variable Rate Note for each Interest Period relating to such Variable Rate Note on the first day of such Interest Period.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent will, at the Relevant Time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the “**Interest Amounts**”) in respect of each denomination of the relevant Floating Rate Notes for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such product by the actual number of days in the Interest Period concerned, divided by the FRN Day Basis shown on the face of such Note and rounding the resultant figure to the nearest cent. The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(v) *Duration of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Issuer and each of the Paying Agents and to be notified to Noteholders and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other relevant authority, or (ii) in all other cases the fourth Relevant Business Day thereafter. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(vi) *Calculation Agent and Reference Banks*

The Issuer will procure that, so long as any relevant Floating Rate Note remains outstanding, there shall at all times be three Reference Banks and a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts or the Redemption Amount, the Issuer will appoint the Singapore office of a leading bank

or merchant bank engaged in the Singapore interbank market to act as such in its place and will notify such change(s) to the Noteholders. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(vii) *Definitions*

As used in this Condition 4(n):

“Calculation Agent” means the calculation agent designated for the relevant Notes;

“Calculation Amount” means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

“Interest Commencement Date” means, in the case of the first issue of a Note or Notes of a Series, the (Issue Date) or such other date as may be specified as the Interest Commencement on the face of such Note and, in the case of a further issue of a Note or Notes of such Series, means the most recent Reference Date or, as the case may be, Interest Payment Date in relation to such first issue next preceding the date on which such further Note or Notes are issued or if there is no such date, the Interest Commencement Date in respect of such first issue;

“Interest Determination Date” means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

“Reference Banks” means the principal Singapore office of three major banks in the Singapore Inter-bank market, selected by the Calculation Agent or as specified in the applicable Pricing Supplement;

“Relevant Dealer” means, in respect of any Variable Rate Note, the Dealer (if any) party to the Program Agreement referred to in the Agency Agreement with whom the Issuer has concluded an agreement for the issue of such Variable Rate Note pursuant to the Program Agreement; and

“Relevant Time” means 11.00 a.m. (Singapore time).

5 Redemption, Purchase and Options

(a) **Redemption by Installments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the applicable Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

- (ii) Unless otherwise provided in the applicable Pricing Supplement and unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the applicable Pricing Supplement, is its nominal amount) or, in the case of a Note falling within Condition 5(a)(i) above, its final Installment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Pricing Supplement.
- (B) Subject to the provisions of Condition 5(b)(i)(C) below, the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortized Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 5(b)(i)(B) above, except that such Condition shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 5(b)(i)(C) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Pricing Supplement.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.

(c) **Redemption for Taxation Reasons:**

- (i) *Senior Notes:* The Senior Notes may be redeemed at the option of the Issuer in whole, but not in part, (the “**Senior Notes Optional Tax Redemption**”) on any Interest Payment Date (if this Senior Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Senior Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption or, if the Early Redemption Amount is not specified in the applicable Pricing Supplement, at their nominal amount together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption, if (aa) the Issuer has paid or will or would on the next payment date be required to pay any Additional Amounts (as defined in Condition 8) as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction (as defined in Condition 8) or any political subdivision or any authority therein or thereof having power to tax (or any taxing authority of any taxing jurisdiction in which the Issuer is a tax resident) or any generally published application or interpretation of such laws or regulations by any such relevant tax authority or any generally published pronouncement by any such tax authority, including a decision of any court or tribunal in any such jurisdiction, or the Notes do not qualify as “qualifying debt securities” for the purposes of the Income Tax Act, Chapter 134 of Singapore which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Senior Notes, and (bb) such obligation cannot be avoided by the Issuer taking measures reasonably available to it, provided that, where the Issuer has or will become obliged to pay Additional Amounts, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Senior Notes then due.

Before the publication of any notice of redemption pursuant to this Condition 5(c)(i), the Issuer shall deliver to (i) if the subject of the Senior Notes Optional Tax Redemption is Senior Notes other than AMTNs, the Trustee or (ii) if the subject of the Senior Notes Optional Tax Redemption is AMTNs, the Australian Agent, a certificate signed by two authorized signatories of the Issuer or, where the Relevant Issuer is any other Specified Issuer, one authorized signatory of such Specified Issuer of the Issuer stating that the payment of Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee or the Australian Agent, as the case may be, shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of Condition 5(c)(i)(aa) and (bb) above without liability to any person in which event it shall be conclusive and binding on the relevant Noteholders, Receiptholders and Couponholders. The Australian Agent will make such certificate available to the holders of the relevant AMTNs for inspection. Upon expiry of such notice, the Issuer shall redeem such Senior Notes in accordance with this Condition 5(c)(i).

- (ii) *Subordinated Notes:* Subject to Condition 5(m), the Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Subordinated Note is a Floating Rate Note) or at any time (if this Subordinated Note is not a Floating Rate Note), on giving not less than 30 but not more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) together with interest accrued but unpaid (if any) to (but excluding) the date

fixed for redemption or, if the Early Redemption Amount is not specified in the applicable Pricing Supplement, at their nominal amount, together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption, if:

- (A) the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8); or
- (B) payments of interest on the Subordinated Notes will or would be treated as “**distributions**” or dividends within the meaning of the Income Tax Act, Chapter 134 of Singapore or any other act in respect of or relating to Singapore taxation or would otherwise be considered as payments of a type that are non-deductible for Singapore income tax purposes; or
- (C) the Subordinated Notes do not qualify as “qualifying debt securities” for the purposes of the Income Tax Act,

in each case as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority therein or thereof having power to tax (or any taxing authority of any taxing jurisdiction in which the Issuer is a tax resident) or any generally published application or interpretation of such laws or regulations by any such relevant tax authority or any generally published pronouncement by any such tax authority, including a decision of any court or tribunal in any such jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Subordinated Notes, and such obligations cannot be avoided by the Issuer taking measures reasonably available to it, provided that, where the Issuer has or will become obliged to pay Additional Amounts, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Subordinated Notes then due.

Before the publication of any notice of redemption pursuant to this Condition 5(c)(ii), the Issuer shall deliver to the Trustee a certificate signed by two authorized signatories of OCBC (and in the case of any other Issuer, one authorized signatory of such Issuer) of the Issuer stating that the payment of Additional Amounts, or that the non-deductibility of the payments of interest for Singapore income tax purposes, as the case may be, cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of this Condition 5(c)(ii) above without liability to any person in which event it shall be conclusive and binding on Noteholders. Upon expiry of such notice, the Issuer shall redeem the Subordinated Notes in accordance with this Condition 5(c)(ii).

Any redemption of the Subordinated Notes by the Issuer pursuant to this Condition 5(c)(ii) is subject to the Issuer obtaining the prior approval of MAS.

(d) Redemption at the option of the Issuer:

- (i) *Senior Notes:* If Call Option is specified in the applicable Pricing Supplement as applicable, the Issuer may, on giving not less than 15 but not more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so provided, some of the Senior Notes on the date(s) specified in the applicable Pricing Supplement (the “**Senior Notes Optional Redemption Date**”). Any such redemption of Senior Notes shall be at the Optional Redemption Amount specified in the applicable

Pricing Supplement together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption or, if no Optional Redemption Amount is specified in the applicable Pricing Supplement, at their nominal amount together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption, in accordance with these Conditions. Any such redemption or exercise must relate to Senior Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Pricing Supplement.

All Senior Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5(d)(i).

In the case of a partial redemption of Senior Notes other than AMTNs, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In the case of a partial redemption of AMTNs, the AMTNs to be redeemed must be specified in the notice and selected (i) in a fair and reasonable manner; and (ii) in compliance with any applicable law, directive or requirement of any stock exchange or other relevant authority on which the AMTNs are listed.

- (ii) *Subordinated Notes*: Subject to Condition 5(m), and unless otherwise specified in the Pricing Supplement, if Call Option is specified in the applicable Pricing Supplement as applicable, the Issuer may, on giving not less than 15 days' irrevocable notice to the Noteholders, elect to redeem all, but not some only, of the Subordinated Notes on (i) the relevant First Call Date specified in the applicable Pricing Supplement (which shall not be less than 5 years from the Issue Date); and (ii) any Interest Payment Date following such First Call Date at their Optional Redemption Amount specified in the applicable Pricing Supplement or, if no Optional Redemption Amount is specified in the applicable Pricing Supplement, at their nominal amount together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption in accordance with these Conditions.

All Subordinated Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5(d)(ii).

The Maturity Date of the Subordinated Notes will not be less than five years from the Issue Date. Any redemption of the Subordinated Notes by the Issuer pursuant to this Condition 5(d)(ii) is subject to the Issuer obtaining the prior approval of MAS.

- (e) **Redemption at the option of holders of Senior Notes**: If Put Option is specified in the applicable Pricing Supplement, the Issuer shall, at the option of the holder of any such Senior Note, upon the holder of such Senior Note giving not less than 15 but not more than 30 days' notice to the Issuer (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Senior Note on the Optional Redemption Date(s) at the Optional Redemption Amount stated in the applicable Pricing Supplement together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Senior Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes other than AMTNs) the Certificate representing such Senior Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No such Senior Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

Unless otherwise provided in the applicable Pricing Supplement, the Subordinated Notes are not redeemable prior to the Maturity Date at the option of the Noteholders.

- (f) **Purchase at the option of Noteholders of Senior Notes:** If VRN Purchase Option is specified in the applicable Pricing Supplement, each Noteholder shall have the option to have all or any of its Variable Rate Notes purchased by the Issuer at their nominal amount on any Interest Payment Date (as defined in Condition 4(n)) and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased, together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Paying Agent, not later than 5.00 p.m. (Singapore time) on the last day of the VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes so deposited may not be withdrawn. Such Variable Rate Notes may be held, resold or surrendered to the Paying Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

If Purchase Option is specified in the applicable Pricing Supplement, each Noteholder shall have the option to have all or any of its Notes purchased by the Issuer at their nominal amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit any such Notes to be purchased, together with all Coupons relating to such Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Paying Agent, not later than 5.00 p.m. (Singapore time) on the last day of the Purchase Option shown on the face hereof. Any such Notes so deposited may not be withdrawn. Such Notes may be held, resold or surrendered to the Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

- (g) **Redemption for Change of Qualification Event in respect of Subordinated Notes:** Subject to Condition 5(m), if as a result of a change or amendment to the relevant requirements issued by MAS, or any change in, or amendment to, the application of official or generally accepted and published interpretation of such relevant requirements issued by MAS or any relevant supervisory authority having jurisdiction over the Issuer, including a ruling or notice issued by MAS or any such relevant supervisory authority, or any interpretation or pronouncement by MAS or any such relevant supervisory authority that provides for a position with respect to such requirements issued by MAS that differs from the previously published official or such

generally accepted and published interpretation in relation to similar transactions or which differs from any specific written statements made by MAS or any relevant supervisory authority having jurisdiction over the Issuer in relation to:

- (i) the qualification of the Subordinated Notes as Tier II Capital Securities; or
- (ii) the inclusion of any Subordinated Notes in the calculation of the capital adequacy ratio,

in each case, of the Issuer (either on a consolidated or unconsolidated basis) ("**Eligible Capital**"), which change or amendment:

- (x) becomes, or would become, effective on or after the Issue Date; or
- (y) in the case of a change or amendment to the relevant requirements issued by MAS or any relevant authority, if such change or amendment is expected to be issued by MAS or any relevant supervisory authority on or after the Issue Date,

the relevant Subordinated Notes (in whole or in part) would not qualify as Tier II Capital Securities of the Issuer (excluding, for the avoidance of doubt, non-qualification solely by virtue of the Issuer already having, or coming to have, an issue of securities with an aggregate principal amount up to or in excess of the limit of Tier II Capital Securities permitted pursuant to the relevant legislation and statutory guidelines in force as at the Issue Date) (a "**Change of Qualification Event**"), then the Issuer may, having given not less than 30 but not more than 60 days' prior written notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable), redeem in accordance with these Conditions on any Interest Payment Date (if this Subordinated Note is at the relevant time a Floating Rate Note) or at any time (if this Subordinated Note is at the relevant time not a Floating Rate Note) all, but not some only, of the relevant Subordinated Notes, at their Early Redemption Amount or, if no Early Redemption Amount is specified in the applicable Pricing Supplement, at their nominal amount together with interest accrued but unpaid (if any) to (but excluding) the date fixed for redemption in accordance with these Conditions.

Prior to the publication of any notice of redemption pursuant to this Condition 5(g), the Issuer shall deliver to the Trustee a certificate signed by two authorized signatories of OCBC (and in the case of any other Issuer, one authorized signatory of such Issuer) stating that a Change of Qualification Event has occurred and the Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the conditions set out above without liability to any person in which event it shall be conclusive and binding on the Noteholders. Upon expiry of such notice, the Issuer shall redeem the Subordinated Notes in accordance with this Condition 5(g).

Any redemption of Subordinated Notes by the Issuer pursuant to this Condition 5(g) is subject to the Issuer obtaining the prior approval of MAS.

(h) **Variation of Subordinated Notes:**

Subject to Condition 5(m), where this Condition 5(h) is specified as being applicable in the relevant Pricing Supplement for the relevant Subordinated Notes, the Issuer may at any time, without any requirement for the consent or approval of the Noteholders and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable), vary the terms of

those Subordinated Notes, where such variation does not result in terms that are materially less favorable to the Noteholders and so that they remain or, as appropriate, become Qualifying Securities and provided further that:

- (i) such variation does not itself give rise to any right of the Issuer to redeem the varied securities that is inconsistent with the redemption provisions of those Subordinated Notes;
- (ii) neither a Tax Event nor a Capital Event arises as a result of such variation; and
- (iii) the Issuer is in compliance with the rules of any stock exchange on which the Subordinated Notes are for the time being listed or admitted to trading.

In order to give effect to a variation pursuant to this Condition 5(h), the Issuer and the Trustee shall take all such steps, including executing any supplemental deed, as may be necessary or desirable to give effect to such variation. For the avoidance of doubt, the Trustee shall not be responsible or liable for verifying or certifying whether any of the provisions of this Condition 5(h) have been complied with nor incur any liability whatsoever for any failure to do so.

Any variation of the Subordinated Notes by the Issuer pursuant to this Condition 5(h) is subject to the Issuer obtaining the prior approval of MAS.

In this Condition 5(h):

“Additional Amounts” means such additional amounts the Issuer shall pay as will result (after withholding or deduction) in receipt by the Noteholders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Subordinated Notes;

a **“Capital Event”** will be deemed to have occurred if any Subordinated Notes are not, or cease to be, eligible in their entirety to be treated as Tier II Capital Securities of the Relevant Issuer;

“Qualifying Securities” means securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (i) (A) qualify (in whole or in part) as Tier II Capital Securities; or
(B) may be included (in whole or in part) in the calculation of the capital adequacy ratio,

in each case of (x) the Issuer, on an unconsolidated basis, or (y) the Issuer and its subsidiaries, on a consolidated basis;

- (ii) shall:
 - (A) include a ranking at least equal to that of the Subordinated Notes;
 - (B) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes;
 - (C) have the same redemption rights as the Subordinated Notes;

- (D) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of variation; and
 - (E) if applicable, are assigned (or maintain) the same or higher credit ratings as were assigned to the Subordinated Notes immediately prior to such variation; and
- (iii) are listed on the Singapore Exchange Securities Trading Limited (or such other stock exchange approved by the Trustee) if the Subordinated Notes were listed immediately prior to such variation.

a “**Tax Event**” is deemed to have occurred if, in making any payments on any Subordinated Notes, the Issuer has paid or will or would on the next payment date be required to pay any Additional Amounts under the laws or regulations of a Relevant Taxing Jurisdiction (as defined in Condition 8) or any political subdivision or any authority therein or thereof having power to tax (or any taxing authority of any taxing jurisdiction in which the Issuer is a tax resident) or any generally published application or interpretation of such laws or regulations by any relevant tax authority or any generally published pronouncement by any such tax authority, including a decision of any court or tribunal in any such jurisdiction, and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

If a variation has occurred pursuant to, or otherwise in accordance with, this Condition 5(h), such event will not constitute a Default under these Conditions.

- (i) **Partly Paid Notes:** If the Notes are specified in the applicable Pricing Supplement as being Partly Paid Notes, such Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 5(h) and the provisions specified in the applicable Pricing Supplement.
- (j) **Purchases:** The Issuer and any of its subsidiaries (with the prior approval of MAS, for so long as the Issuer is required to obtain such approval, in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price in accordance with all relevant laws and regulations and, for so long as the Notes are listed, the requirements of the relevant stock exchange. The Issuer or any such subsidiary may, at its option (with the prior approval of MAS, for so long as the Issuer is required to obtain such approval, in the case of Subordinated Notes), retain such purchased Notes for its own account and/or resell or cancel or otherwise deal with them at its discretion.
- (k) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes (other than AMTNs), by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. Any Subordinated Note that is Written-off in full in accordance with Condition 6 or converted in full if and as described in the applicable Pricing Supplement shall be automatically cancelled.

If any AMTN represented by an AMTN Certificate is redeemed or purchased and cancelled in accordance with this Condition 5 then (i) the applicable AMTN Certificate will be deemed to be surrendered and cancelled without any further formality, and (ii) where some, but not all, of the AMTNs represented by that AMTN Certificate are so redeemed, the Issuer will, promptly and without charge, issue and deliver, and procure the authentication by the Australian Agent of, a new AMTN Certificate in respect of those AMTNs that had been represented by the original AMTN Certificate and which remain outstanding following such redemption.

- (l) **No Obligation to Monitor:** In the case of Notes other than AMTNs, the Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to the Noteholders, Receiptholders or Couponholders for any loss arising from any failure by it to do so. Unless and until the Trustee has notice in writing of the occurrence of any event or circumstance within this Condition 5, it shall be entitled to assume that no such event or circumstance exists.
- (m) **Redemption or Variation of Subordinated Notes:** Without prejudice to any provisions in this Condition 5, any redemption pursuant to Condition 5(c)(ii), Condition 5(d)(ii) or Condition 5(g) or variation pursuant to Condition 5(h) of Subordinated Notes by the Issuer is subject to the Issuer obtaining the prior approval of MAS.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the applicable Pricing Supplement in relation to such Series.

6 Loss Absorption upon a Trigger Event in respect of Subordinated Notes

- (a) The applicable Pricing Supplement will specify whether “Write-off” or “Conversion” applies as the relevant Loss Absorption Option upon the occurrence of a Trigger Event in relation to the Subordinated Notes to which it relates. If “Write-off” is specified, the provisions of Conditions 6(b) and (c) shall apply. If “Conversion” is specified, the terms applicable thereto will be specified in the applicable Pricing Supplement.
- (b) **Write-off on a Trigger Event:**
 - (i) If “Write-off” is specified as the Loss Absorption Option in the applicable Pricing Supplement for any Subordinated Notes, and if a Trigger Event occurs, the Issuer shall, upon the issue of a Trigger Event Notice, irrevocably and without the need for the consent of the Trustee or the holders of any Subordinated Notes, procure that the Registrar shall reduce the principal amount and cancel any accrued but unpaid interest of each Subordinated Note (in whole or in part) by an amount equal to the Trigger Event Write-off Amount per Subordinated Note (a “**Write-off**”, and “**Written-off**” shall be construed accordingly). Once any principal or interest under a Subordinated Note has been Written-off, it will be extinguished and will not be restored in any circumstances, including where the relevant Trigger Event ceases to continue. No Noteholder may exercise, claim or plead any right to any Trigger Event Write-off Amount, and each Noteholder shall be deemed to have waived all such rights to such Trigger Event Write-off Amount.
 - (ii) If a Trigger Event Notice has been given in respect of any Subordinated Notes in accordance with this Condition 6(b), transfers of any such Subordinated Notes that are the subject of such notice shall not be permitted during the Suspension Period. From the date on which a Trigger Event Notice in respect of any Subordinated Notes in accordance with this Condition 6(b) is issued by the Issuer to the end of

the Suspension Period, the Trustee and the Registrar shall not register any attempted transfer of any Subordinated Notes. As a result, such an attempted transfer will not be effective.

- (iii) Any reference in these Conditions to principal in respect of the Subordinated Notes shall refer to the principal amount of the Subordinated Note(s), reduced by any applicable Write-off(s).

Any Write-off of Subordinated Notes is subject to the availability of procedures to effect the Write-off in the relevant clearing systems. For the avoidance of doubt, however, any Write-off of any Subordinated Notes under this Condition 6 will be effective upon the date that the Issuer specifies in the Trigger Event Notice (or as may otherwise be notified in writing to Subordinated Noteholders, the Trustee and Agents by the Issuer) notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).

(c) **Multiple Trigger Events and Write-offs in part:**

- (i) Where only part of the principal or interest of Additional Tier I Capital Securities or Tier II Capital Securities of the Issuer is to be Written-off, the Issuer shall use reasonable endeavors to conduct any Write-off such that:
 - (A) holders of any Series of Subordinated Notes are treated ratably and equally;
 - (B) the Write-off of any Subordinated Notes is conducted only to the extent that the Trigger Event Write-off Amount (as applicable) exceeds the aggregate nominal amount of all Additional Tier I Capital Securities of the Issuer that are capable of being written-off or converted under any applicable laws and/or their terms of issue, so as to Write-off Tier II Capital Securities of the Issuer (including the Subordinated Notes) in an aggregate nominal amount equal to the amount of that excess; and
 - (C) the Write-off of any Subordinated Notes is conducted on a *pro rata* and proportionate basis with all other Tier II Capital Securities of the Issuer, to the extent that such Tier II Capital Securities are capable of being written-off or converted under any applicable laws and/or their terms of issue analogous to these Conditions.

Any loss absorption action to be taken in respect of any Common Equity Tier I Capital shall not be required before a Write-off or conversion (if applicable) of any Subordinated Notes can be effected in accordance with these Conditions.

- (ii) Any Series of Subordinated Notes may be subject to one or more Write-offs in part (as the case may be), except where such Series of Subordinated Notes has been Written-off in its entirety.

(d) **Definitions:**

In this Condition 6:

“Common Equity Tier I Capital” means:

- (i) any security issued by the Issuer; or
- (ii) any other similar instrument issued by any subsidiary of the Issuer,

that, in each case, constitutes Common Equity Tier I Capital of the Issuer, on an unconsolidated basis, pursuant to the relevant requirements set out in MAS Notice 637;

“Loss Absorption Option” means such loss absorption option as may be specified in the applicable Pricing Supplement in respect of any Subordinated Notes;

“Trigger Event” means the earlier of:

- (i) MAS notifying the Issuer in writing that it is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and
- (ii) a decision by MAS to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by MAS;

“Trigger Event Notice” means the notice specifying that a Trigger Event has occurred, which shall be issued by the Issuer not more than two Business Days after the occurrence of a Trigger Event to the holders of the Subordinated Notes, the Trustee and the Issuing and Paying Agent in accordance with Condition 16 and which shall state with reasonable detail the nature of the relevant Trigger Event and, if applicable, specify, as applicable (A) the Trigger Event Write-off Amount per Subordinated Note to be Written-off or (B) details of any conversion consistent with any mechanics specified in the applicable Pricing Supplement. For the purposes of this definition, a Trigger Event Notice shall be deemed to be delivered on a Business Day if it is received by the Trustee at its principal place of business and by the Issuing and Paying Agent and the Registrar at their respective specified offices during normal business hours;

“Trigger Event Write-off Amount” means the amount of interest and/or principal to be Written-off as the Issuer determines is required to be Written-off for the Trigger Event to cease to continue. For the avoidance of doubt, the Write-off will be effected in full even in the event that the amount Written-off is not sufficient for the Trigger Event to cease to continue.

(e) **Role of the Issuer, the Trustee and the Agents:**

Notwithstanding anything to the contrary that may be set out in these Conditions, the Trust Deed, the Agency Agreement, the applicable Pricing Supplement or any other document relating to the Subordinated Notes:

- (i) neither the Trustee nor any Agent shall be under any duty to determine, monitor or report whether a Trigger Event has occurred or circumstances exist which may lead to the occurrence of a Trigger Event and will not be responsible or liable to the Noteholders or any other person for any loss arising from any failure by it to do so, except where such failure is due to the fraud, negligence or wilful misconduct of the Trustee or such Agent. Unless and until the Trustee and the Issuing and Paying Agent receive a Trigger Event Notice in accordance with this Condition 6 and the other Agents are expressly notified in writing, each of them shall be entitled to assume that no such event or circumstance has occurred or exists;
- (ii) each of the Trustee and each Agent shall be entitled without further enquiry and without liability to any Noteholder or any other person to rely on any Trigger Event Notice and such Trigger Event Notice shall be conclusive evidence of the occurrence of the Trigger Event and conclusive and binding on Noteholders;

- (iii) neither the Trustee nor any Agent shall be under any duty to determine or calculate, or verify any determination or calculation of or relating to, any Trigger Event Write-off Amount and will not be responsible or liable to the Noteholders or any other person for any loss arising from any failure by it to do so, except where such failure is due to the fraud, negligence or wilful misconduct of the Trustee or such Agent;
- (iv) each of the Trustee, the Agents, Euroclear, Clearstream, Luxembourg, CDP, The Depository Trust & Clearing Corporation (the “DTC”) and any other relevant clearing system shall be entitled without further enquiry and without liability to any Noteholder or any other person to rely on any Trigger Event Notice and the Trigger Event Write-off Amount specified therein shall, as to the amount of interest and/or principal to be Written-off, be conclusive and binding on Noteholders;
- (v) as long as such Subordinated Notes are held in global form, neither the Trustee nor any Agent shall, in any circumstances, be responsible or liable to the Issuer, the Noteholders or any other person for any act, omission or default by Euroclear, Clearstream, Luxembourg, CDP, DTC or any other relevant clearing system, or its respective participants, members, any broker-dealer or any other relevant third party with respect to the notification and/or implementation of any Write-off by any of them in respect of such Subordinated Notes;
- (vi) once the Issuer has delivered a Trigger Event Notice to the Trustee pursuant to this Condition 6:
 - (A) the Trustee shall not be obliged to take any action pursuant to any direction, instruction or request provided to it pursuant to an Extraordinary Resolution (as defined in the Trust Deed) or a resolution passed at a meeting of Noteholders; and
 - (B) any direction, instruction or request given to the Trustee pursuant to an Extraordinary Resolution or a resolution passed at a meeting of Noteholders prior to the date of the Trigger Event Notice shall cease automatically and shall be null and void and of no further effect,provided that any action taken by the Trustee in respect of any such Subordinated Notes shall only be taken after the relevant Suspension Period;
- (vii) the Issuer, the Trustee and each Agent shall, without the need for the consent or approval of the holders of any Subordinated Notes (or any further action or direction on the part of Noteholders), take any and all such steps in accordance with the Agency Agreement as may be necessary or desirable to give effect to any Trigger Event and any Write-off following the occurrence of the Trigger Event and to reflect the same in the records of Euroclear, Clearstream, Luxembourg, CDP, DTC or any other relevant clearing system; and
- (viii) the Trust Deed and Agency Agreement contain certain other protections and disclaimers as applicable to the Trustee and Agents in relation to Condition 6 and each Noteholder shall be deemed to have authorized, directed and requested the Trustee, the Registrar and the other Agents, as the case may be, to take any and all such steps as may be necessary or desirable to give effect to any Trigger Event and any Write-off following the occurrence of the Trigger Event.

7 Payments and Talons

- (a) **Bearer Notes not held in the CMU:** Payments of principal and interest in respect of Bearer Notes not held in the CMU shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Installment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(h)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(h)(ii)), as the case may be:
- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a check payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and
 - (ii) in the case of Renminbi where the Notes are cleared through CDP, by transfer to a Renminbi account maintained by or on behalf of a Noteholder with a bank in Singapore or Hong Kong.

In this Condition 7(a), “**Bank**” means a bank in the principal financial center for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

- (b) **Bearer Notes held in the CMU:** Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.
- (c) **Registered Notes (other than AMTNs) not held in the CMU:** This Condition 7(c) does not apply to AMTNs.
- (i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Installment Amounts but not other Installment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(a)(ii).
 - (ii) Interest (which for the purpose of this Condition 7(c) shall include all Installment Amounts other than final Installment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business (i) on the fifteenth day before the due date for payment thereof or (ii) in the case of Renminbi, on the fifth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
 - (x) in the case of a currency other than Renminbi, in the relevant currency by check drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any

Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

- (y) in the case of Renminbi where the Notes are cleared through CDP, by transfer to the registered account of the Noteholder.

In this Condition 7(c)(ii), “**registered account**” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Singapore or Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

- (iii) Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a relevant business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a check mailed in accordance with Condition 7(c)(ii) arrives after the due date for payment.

- (d) **Registered Notes (other than AMTNs) held in the CMU:** This Condition 7(d) does not apply to AMTNs.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

For so long as any of the Notes that are cleared through the CMU are represented by a Global Note or a Global Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in that Global Note or, as the case may be, that Global Certificate is credited as being held by the operator of the CMU at the relevant time, as notified to the CMU Lodging and Paying Agent by the operator of the CMU in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the operator of the CMU. Such payment will discharge the Issuer’s obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

- (e) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (f) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.
- (g) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the CDP Paying Agent, the Paying Agents, the Registrar, the Australian Agent, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the CDP Paying Agent, the Paying Agents, the Registrar, the Australian Agent, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholders or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the CDP Paying Agent, any other Paying Agent, the Registrar, the Australian Agent, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar or Australian Agent (as applicable) in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes cleared through the CMU, (v) a CDP Paying Agent in relation to Notes cleared through CDP, (vi) one or more Calculation Agent(s) where these Conditions so require, (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (viii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(e) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (h) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such claim in relation to such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note which does not comprise a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in installments, all Receipts relating to such Note having an Installment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (i) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any claims in relation to Coupons that may have become void pursuant to Condition 9).
 - (j) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(j), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such other jurisdictions as shall be specified as “Financial Centers” in the applicable Pricing Supplement and:
 - (i) (in the case of a payment in a currency other than Euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial center of the country of such currency or
 - (ii) (in the case of a payment in Euro) which is a TARGET Business Day or
 - (iii) (in the case of Renminbi where the Notes are cleared through the CMU) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong or

- (iv) (in the case of Renminbi where the Notes are cleared through CDP) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Singapore and Hong Kong.
- (k) **Renminbi Disruption Fallback:** Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest in respect of the Notes when due in Renminbi (in the case of Notes cleared through CMU) in Hong Kong or (in the case of Notes cleared through CDP) in Singapore, the Issuer shall, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in the case of Notes cleared through CMU) in U.S. dollars on the due date at the U.S. Dollar Equivalent, or (in the case of Notes cleared through CDP) in Singapore dollars on the due date at the Singapore Dollar Equivalent, of any such Renminbi denominated amount. The due date for payment shall be the originally scheduled due date or such postponed due date as shall be specified in the notice referred to above, which postponed due date may not fall more than 20 days after the originally scheduled due date. Interest on the Notes will continue to accrue up to but excluding any such date for payment of principal.

In such event, payments of the U.S. Dollar Equivalent or the Singapore Dollar Equivalent (as applicable) of the relevant principal or interest in respect of the Notes shall be made by:

- (i) in the case of Notes cleared through CMU, transfer to a U.S. dollar denominated account maintained by the payee with, or by a U.S. dollar denominated check drawn on, or, at the option of the holder, by transfer to a U.S. dollar account maintained by the holder with, a bank in New York City; or
- (ii) in the case of Notes cleared through CDP, transfer to a Singapore dollar denominated account maintained by the payee with, or by a Singapore dollar denominated check drawn on, a bank in Singapore.

For the purposes of this Condition 7:

"Determination Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange):

- (i) in the case of Notes cleared through CMU, in Hong Kong and New York City; or
- (ii) in the case of Notes cleared through CDP, in Singapore.

"Determination Date" means the day which:

- (i) in the case of Notes cleared through CMU, is two Determination Business Days before the due date for payment of the relevant amount under these Conditions; or
- (ii) in the case of Notes cleared through CDP, is seven Determination Business Days before the due date of the relevant amount under these Conditions.

“Governmental Authority” means:

- (i) in the case of Notes cleared through CMU, any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong; or
- (ii) in the case of Notes cleared through CDP, MAS or any other governmental authority or any other entity (private or public) charged with the regulation of the financial markets of Singapore.

“Illiquidity” means:

- (i) in the case of Notes cleared through CMU, the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers selected by the Issuer; or
- (ii) in the case of Notes cleared through CDP, the general Renminbi exchange market in Singapore becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers selected by the Issuer.

“Inconvertibility” means the occurrence of any event that makes it impossible (where it had been previously possible) for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in (in the case of Notes cleared through CMU) Hong Kong or (in the case of Notes cleared through CDP) Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

“Non-transferability” means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts:

- (i) in the case of Notes cleared through CMU, inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); or
- (ii) in the case of Notes cleared through CDP, inside Singapore or from an account inside Singapore to an account outside Singapore and outside the PRC or from an account outside Singapore and outside the PRC to an account inside Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

“PRC” means the People’s Republic of China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan).

“Renminbi Dealer” means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in (in the case of Notes cleared through CMU) Hong Kong or (in the case of Notes cleared through CDP) Singapore.

“Singapore Dollar Equivalent” means the Renminbi amount converted into Singapore dollars using the relevant Spot Rate for the relevant Determination Date, as promptly notified to the Issuer and the Paying Agents.

“Spot Rate” means:

- (i) in the case of Notes cleared through CMU, the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCN3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF.

If such rate is not available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate; or

- (ii) in the case of Notes cleared through CDP, the spot CNY/Singapore dollar exchange rate as determined by the Issuer at or around 11.00 a.m. (Singapore time) on the Determination Date in good faith and in a reasonable commercial manner, and if a spot rate is not readily available, the Issuer may determine the rate taking into consideration all available information which the Issuer deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Singapore or elsewhere and the PRC domestic foreign exchange market in Singapore.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7(k) by the Calculation Agent, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

“U.S. Dollar Equivalent” means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date as promptly notified to the Issuer and the Paying Agents.

(l) **AMTNs:**

- (i) The Australian Agent will act (through its office in Sydney) as paying agent for AMTNs pursuant to the Australian Agency Agreement and:
- (A) if the AMTN is in the clearing system (the “**Austraclear System**”) operated by Austraclear, by crediting on the relevant Interest Payment Date or Maturity Date (as the case may be) the amount then due to the account (held with a bank in Australia) of Austraclear in accordance with the rules and regulations known as the “**Austraclear System Regulations**” established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System;
- (B) if the AMTN is not in the Austraclear System, by crediting on the Interest Payment Date or Maturity Date (as the case may be), the amount then due to an account (held with a bank in Australia) previously notified in writing by the holder of the AMTN to the Issuer and the Australian Agent.

If a payment in respect of the AMTN is prohibited by law from being made in Australia, such payment will be made in an international financial center for the account of the relevant payee, and on the basis that the relevant amounts are paid in immediately available funds, freely transferrable at the order of the payee.

For the purposes of this Condition 7(l), in relation to AMTNs, “**Business Day**” has the meaning given in the Australian Agency Agreement.

- (ii) Payments of principal and interest will be made in Sydney in Australian dollars to the persons registered at the close of business in Sydney on the relevant Record Date (as defined below) as the holders of such AMTNs, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by checks drawn on the Sydney branch of an Australian bank dispatched by post on the relevant payment date at the risk of the Noteholder or, at the option of the Noteholder, by the Australian Agent giving in Sydney irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Agent (or in any other manner in Sydney which the Australian Agent and the Noteholder agree).
- (iii) In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Agent gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account of the Noteholder on the same day as the day on which the instructions are given.
- (iv) If a check posted or an electronic transfer for which irrevocable instructions have been given by the Australian Agent is shown, to the satisfaction of the Australian Agent, not to have reached the Noteholder and the Australian Agent is able to recover the relevant funds, the Australian Agent may make such other arrangements as it thinks fit for the effecting of the payment in Sydney.
- (v) Interest will be calculated in the manner specified in Condition 4 and will be payable to the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date and checks will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first-named) and sent to their registered address, unless instructions to the contrary are given by the

Noteholder (or, in the case of joint Noteholders, by all the Noteholders) in such form as may be prescribed by the Australian Agent. Payments of principal will be made to, or to the order of, the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date, subject, if so directed by the Australian Agent, to receipt from them of such instructions as the Australian Agent may require.

- (vi) If any day for payment in respect of any AMTN is not a Business Day, such payment shall not be made until the next day which is a Business Day, and no further interest shall be paid in respect of the delay in such payment.
- (vii) Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto. Neither the Issuer nor the Australian Agent shall be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from such payments.

In this Condition 7(l) in relation to AMTNs, “**Record Date**” means, in the case of payments of principal or interest, the close of business in Sydney on the date which is the fifteenth calendar day before the due date of the relevant payment of principal or interest.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by a Relevant Taxing Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the “**Additional Amounts**”) as shall result in receipt by the Noteholders, Receiptholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is (i) treated as a resident of the Relevant Taxing Jurisdiction or as having a permanent establishment in the Relevant Taxing Jurisdiction for tax purposes or (ii) liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt, Talon or Coupon by reason of his having some connection with the Relevant Taxing Jurisdiction other than the mere holding or ownership of the Note, Receipt, Talon or Coupon or receiving income therefrom, or the enforcement thereof; or
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day; or

- (d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or
- (e) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (f) **Payment to an associate:** to, or to a third party on behalf of, a holder of a Note issued by the Issuer through its Australian branch or by a Specified Issuer that is a resident of Australia (and who is not acting through a branch outside of Australia) who is an “associate” (as that term is defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia) of the Issuer or Specified Issuer, as relevant and such holder is not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Australian Corporations Act; or
- (g) **Australian tax file number/Australian Business Number withholding tax:** to, or to a third party on behalf of, a holder of a Registered Note, if that person has not supplied an appropriate Australian tax file number, Australian Business Number or details of an applicable exemption from these requirements.

For the avoidance of doubt, neither the Issuer nor any other person shall be required to pay any Additional Amounts or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code (the “**Code**”) as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

As used in these Conditions,

- (i) “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Installment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortized Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

- (ii) **“Relevant Taxing Jurisdiction”** means, in respect of Senior Notes, Singapore or any country in which the branch of the Issuer through which the Issuer is issuing the Senior Notes is located or the country of the Specified Issuer and (ii) in respect of Subordinated Notes, Singapore.

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

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

(a) Senior Notes:

If any of the following events (**“Events of Default”**) occurs and is continuing, (i) in the case of Senior Notes (other than AMTNs), the Trustee at its absolute discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Senior Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest or (ii) in the case of AMTNs, the holder of an AMTN may, give written notice to the Australian Agent and the Issuer that such AMTN is immediately repayable, whereupon the Early Redemption Amount of such AMTN together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Australian Agent or the Issuer:

- (i) *Non-Payment*: default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Senior Notes; or
- (ii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations under the Senior Notes, the Trust Deed or the Note (AMTN) Deed Poll, which default has not been remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee or a holder of the relevant AMTNs; or
- (iii) *Insolvency*: the Issuer is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its

debts, or makes a general assignment or an arrangement or composition with or for the benefit of all its creditors in respect of any such debts or a moratorium is agreed or declared in respect of all or a material part of the debts of the Issuer; or

- (iv) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation.

(b) **Subordinated Notes**: In the case of the Subordinated Notes:

- (i) **Default**: “**Default**”, wherever used in this Condition 10(b), means (except as expressly provided below, whatever the reason for such Default and whether or not it shall be voluntary or involuntary or be effected by the operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) failure to pay principal of or interest on any Subordinated Note (which default in the case of principal continues for seven Business Days and in the case of interest continues for 14 Business Days) after the due date for such payment.

If a Write-off or conversion has occurred pursuant to, or otherwise in accordance with, Condition 6 or (with respect to a conversion) any applicable Pricing Supplement, such event will not constitute a Default under these Conditions.

- (ii) **Enforcement**: If a Default occurs and is continuing, the Trustee may in its absolute discretion institute proceedings in Singapore (but not elsewhere) for the winding-up of the Issuer. The Trustee shall have no right to enforce payment under or accelerate payment of any Subordinated Note in the case of such Default in payment on such Subordinated Note or a default in the performance of any other covenant of the Issuer in such Subordinated Note or in the Trust Deed except as provided for in this Condition 10 and Clause 7 of the Trust Deed.

Subject to the subordination provisions as set out in Condition 3, in Clause 5 and Clause 7.2 of the Trust Deed, if a court order is made or an effective resolution is passed for the winding-up of the Issuer, there shall be payable on the Subordinated Notes after the payment in full of all claims of all Senior Creditors, but in priority to holders of share capital of the Issuer and Additional Tier I Capital Securities and/or as otherwise specified in the applicable Pricing Supplement or in a supplement to the Offering Memorandum, such amount remaining after the payment in full of all claims of all Senior Creditors up to, but not exceeding, the nominal amount of the Subordinated Notes together with interest accrued to the date of repayment.

- (iii) **Rights and Remedies upon Default**: If a Default in respect of the payment of principal of or interest on the Subordinated Notes occurs and is continuing, the sole remedy available to the Trustee shall be the right to institute proceedings in Singapore (but not elsewhere) for the winding-up of the Issuer. If the Issuer shall default in the performance of any obligation contained in the Trust Deed, other than a Default specified in Condition 10(b)(i) above, the Trustee and the Noteholders shall be entitled to every right and remedy given hereunder or thereunder or now or hereafter existing at law or in equity or otherwise, provided,

however, that the Trustee shall have no right to enforce payment under or accelerate payment of any Subordinated Note except as provided in this Condition 10(b)(iii) and Clause 7.2 of the Trust Deed.

If any court awards money damages or other restitution for any default with respect to the performance by the Issuer of its obligations contained in the Trust Deed, the payment of such money damages or other restitution shall be subject to the subordination provisions set out herein and in Clause 5 and Clause 7.2 of the Trust Deed.

- (iv) **Entitlement of the Trustee:** The Trustee shall not be bound to take any of the actions referred to in Condition 10(b)(ii) or Condition 10(b)(iii) above or Clause 7.2 of the Trust Deed or any other action under the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least one-quarter in nominal amount of the Subordinated Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (v) **Rights of Holders:** No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer in Singapore or to prove in any winding-up of the Issuer unless the Trustee, having become so bound to proceed (in accordance with the terms of the Trust Deed) or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

No remedy against the Issuer, other than as referred to in this Condition 10 and Clause 7 of the Trust Deed, shall be available to the Trustee or any Noteholder whether for the recovery of amounts owing in relation to or arising from the Subordinated Notes and/or the Trust Deed or in respect of any breach by the Issuer of any of its other obligations relating to or arising from the Subordinated Notes and/or the Trust Deed.

11 Meetings of Noteholders, Modification and Waiver

Condition 11(a), Condition 11(b) and Condition 11(c) do not apply to AMTNs.

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Installment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Installment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Installment Amount or Redemption Amount is shown in the applicable Pricing Supplement, to

reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including, in the case of Zero Coupon Notes, the method of calculating the Amortized Face Amount, (vi) to vary the currency or currencies of payment or the Specified Denomination of the Notes, (vii) to take any steps that as specified in the applicable Pricing Supplement may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, (ix) to modify Condition 3 in respect of the Subordinated Notes, (x) to modify Condition 5(i) where Condition 5(i) is specified as being applicable in the Pricing Supplement for the relevant Subordinated Notes or (xi) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other entity in circumstances other than where "Conversion" is specified in the applicable Pricing Supplement and as contemplated by such provisions, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders and Receiptholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the applicable Pricing Supplement in relation to such Series.

- (b) **Modification of the Trust Deed and waiver:** The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and waive or authorize, on such terms as seem expedient to it, any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Notwithstanding any other provision of these Conditions or the Trust Deed, for Notes specified in the applicable Pricing Supplement as being Subordinated Notes, no modification to any Condition or any provision of the Trust Deed may be made without the prior approval of MAS where such modifications could impact the eligibility of the Subordinated Notes as Tier II Capital Securities. Any such modification, authorization or waiver shall be binding on the Noteholders, Receiptholders and the Couponholders and, if the Trustee so requires, such waiver or authorization shall be notified by the Issuer to the Noteholders as soon as practicable.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11(c)) the Trustee shall have regard to the interests of the Noteholders, Receiptholders or Couponholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders and the Trustee shall not be entitled to require, nor

shall any Noteholder, Receiptholders or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders.

- (d) **Meetings of AMTN holders:** The Note (AMTN) Deed Poll contains provisions for convening meetings of holders of AMTNs to consider any matter affecting their interests.

12 Enforcement in respect of Senior Notes

In the case of Senior Notes (that are not AMTNs), at any time after the Senior Notes become due and payable, the Trustee may, in its absolute discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Senior Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Senior Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder, Receiptholder or Couponholder in respect of Senior Notes (that are not AMTNs) may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing, in which case such Noteholder, Receiptholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. In the case of any AMTN, at any time after such AMTN becomes due and payable, the holder of such AMTN may at its discretion and without further notice, institute such proceeding against the Issuer as it may think fit to enforce the terms of the Note (AMTN) Deed Poll and such AMTN.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may accept and rely without liability to Noteholders, Receiptholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. Such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee, the Noteholders, Receiptholders and the Couponholders.

14 Replacement of Notes, Certificates, AMTN Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or

further Coupons) and otherwise as the Issuer or such agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

Should any AMTN Certificate be lost, stolen, mutilated, defaced or destroyed, upon written notice of such having been received by the Issuer and the Australian Agent:

- (a) that AMTN Certificate will be deemed to be cancelled without any further formality; and
- (b) the Issuer will, promptly and without charge, issue and deliver, and procure the authentication by the Australian Agent of, a new AMTN Certificate to represent the holding of the AMTNs that had been represented by the original AMTN Certificate.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single Series with the Notes. Any further securities forming a single series with the outstanding securities of any Series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other Series where the Trustee so decides.

16 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth (or seventh if being given internationally) weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Singapore (which is expected to be *The Business Times* but may be another leading daily English language newspaper with general circulation in Singapore) and so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the rules of the SGX-ST so require, published on the website of the SGX-ST (www.sgx.com). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Notices regarding AMTNs may also be published in a leading daily newspaper of general circulation in Australia. If so given, it is expected that such notices will be published in *The Australian Financial Review*. Any such notice will be deemed to have been given on the date of such publication.

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of DTC, Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Noteholders shall be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg or the Alternative Clearing System, for communication by it to entitled accountholders in

substitution for notification as required by these Conditions except that if the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, notice will in any event be published as provided above.

A Trigger Event Notice to the holders of any Subordinated Notes shall be deemed to have been validly given on the date on which such notice is published in a daily newspaper of general circulation in Singapore (which is expected to be The Business Times but may be another leading daily English language newspaper with general circulation in Singapore) and so long as the Subordinated Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST (www.sgx.com). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under (i) if the Notes are specified in the applicable Pricing Supplement as being governed by English law, the Contracts (Rights of Third Parties) Act 1999 or (ii) if the Notes are specified in the applicable Pricing Supplement as being governed by Singapore law, Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

18 Governing Law and Jurisdiction

Condition 18(a), Condition 18(b) and Condition 18(c) do not apply to AMTNs.

- (a) **Governing Law:** The Trust Deed and, if the Notes are specified in the applicable Pricing Supplement as being governed by Singapore law, as supplemented by the Singapore Supplemental Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English or Singapore law, as specified in the applicable Pricing Supplement, save that Condition 3(b), Condition 3(c), Condition 3(d), Condition 10(b)(ii) and Condition 10(b)(iii) for Notes specified in the applicable Pricing Supplement as Subordinated Notes are in all cases governed by, and shall be construed in accordance with, Singapore law.
- (b) **Jurisdiction:** If the Notes are specified in the applicable Pricing Supplement as being governed by English law, the courts of England, or if the Notes are specified in the applicable Pricing Supplement as being governed by Singapore law, the courts of Singapore, are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. For Notes for which English law is specified as the governing law in the applicable Pricing Supplement, the Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Service of Process:** For Notes for which English law is specified as the governing law in the applicable Pricing Supplement, the Issuer has in the Trust Deed agreed that its branch in England shall accept service of process on its behalf in respect of any Proceedings in England. If such branch ceases to be able to accept service of process in England, the Issuer shall immediately appoint a new agent to accept such service of process in England.
- (d) **AMTNs:**
- (i) The AMTNs, the Australian Agency Agreement and the Note (AMTN) Deed Poll shall be governed by the laws in force in New South Wales, Australia.
 - (ii) The courts of New South Wales, Australia and the courts of appeal from them are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with them and any suit, action or proceedings arising out of or in connection with the AMTNs, the Australian Agency Agreement and the Note (AMTN) Deed Poll (together referred to as “**Australian Proceedings**”) may be brought in such courts.
 - (iii) For so long as any AMTNs are outstanding, the Issuer agrees that its Sydney branch in Australia shall accept service of process on its behalf in New South Wales, Australia in respect of any Australian Proceedings. In the event there is no such branch, the Issuer shall immediately appoint another agent to accept such service of process in Sydney.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following section does not apply to AMTNs and references in the following section to the “Issuing and Paying Agent”, the “CMU Lodging and Paying Agent”, the “CDP Paying Agent” and the “Registrar” shall be to the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the CDP Paying Agent and the Registrar in respect of Notes other than AMTNs.

Initial Issue of Notes

The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a Pricing Supplement to this Offering Memorandum.

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository or CDP.

Upon the initial deposit of a Global Note with (i) CDP, (ii) a sub-custodian for the CMU, (iii) a common depository for Euroclear and Clearstream, Luxembourg (a “**Common Depository**”) or (iv) any other permitted clearing system (an “**Alternative Clearing System**”) or registration of Registered Notes in the name of CDP or the HKMA as operator of the CMU or any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to CDP, the CMU or Common Depository for Euroclear or Clearstream, Luxembourg (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with CDP and/or the CMU and/or Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with CDP, the CMU, Euroclear, Clearstream, Luxembourg or other clearing systems.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by the CMU Lodging Paying Agent and/or CDP and/or Euroclear and/or Clearstream, Luxembourg and (in the case of a Temporary Global Note delivered to a Common Depository for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent or (in the case of Notes cleared through CDP) CDP has given a like certificate (based on the certification it has received) to the CDP Paying Agent.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of CDP, Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to CDP, Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of CDP, Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against us in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and our obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and we will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by us in respect of such Global Note or Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Program – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part (provided that the relevant clearing system's rules so permit) upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement dated for interests in a Permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “– Partial Exchange of Permanent Global Notes”, in part for Definitive Notes:

- (i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if the Permanent Global Note is held on behalf of CDP, (a) an Event of Default or a Default, enforcement event or analogous event entitling an account holder or the Trustee to redeem the Notes due and payable as provided in the Conditions, has occurred and is continuing, (b) CDP is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise), (c) CDP announces an intention permanently to cease business and no Alternative Clearing System is available or (d) CDP has notified us that it is unable or unwilling to act as depository for the Notes and to continue performing its duties and no Alternative Clearing System is available.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of CDP, the CMU, Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, as the case may be.

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement) relating to Partly Paid Notes.

Global Certificate

Unrestricted Global Certificates

If the Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in CDP, the CMU, Euroclear or Clearstream, Luxembourg, DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Unrestricted Global Certificate pursuant to Condition 2(b) may only be made:

- (i) in part, if the Unrestricted Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or

- (ii) in part, if the Global Certificate is held on behalf of CDP, (a) an Event of Default or a Default, enforcement event or analogous event entitling an accountholder or the Trustee to redeem the Notes due and payable as provided in the Conditions, has occurred and is continuing, (b) CDP is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise), (c) CDP announces an intention permanently to cease business and no Alternative Clearing System is available or (d) CDP has notified us that it is unable or unwilling to act as depository for the Notes and to continue performing its duties; or
- (iii) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Unrestricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iv) in part, with our consent,

provided that, in the case of the first transfer of part of a holding pursuant to paragraphs (i), (ii) and (iii) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

Restricted Global Certificates

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made:

- (i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Restricted Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (ii) in whole or in part, with our consent,

provided that, in the case of any transfer pursuant to paragraph (i) above, the relevant Registered Holder has given the relevant Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in “**Transfer Restrictions**”.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, we will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Memorandum, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Installment Amounts that have not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, we will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Memorandum. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(g)(viii) and 8(d) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(j).

All payments made in respect of Notes represented by a Global Certificate held on behalf of Euroclear or Clearstream, Luxembourg will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except December 25 and January 1.

All payments made in respect of Notes represented by a Global Certificate held by CDP will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the fifth business day prior to the date of payment.

Prescription

Claims against us in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder’s holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note.

Purchase

Notes represented by a Permanent Global Note may only be purchased by us or any of our subsidiaries if they are purchased together with the rights to receive all future payments of interest and Installment Amounts (if any) thereon.

Issuer’s Option

Any of our option provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by us giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Bearer Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any of our options are exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg, CDP, the CMU, DTC or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent and, in the case of Notes cleared through CDP, the CDP Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Bearer Notes, in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent, or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent or, in the case of Notes cleared through CDP, the CDP Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, the CMU Lodging and Paying Agent or, as the case may be, the CDP Paying Agent, for notation.

Direct Rights in respect of Notes cleared through CDP

If any Event of Default or Default has occurred and is continuing, the Trustee may state in a notice given to the CDP Paying Agent and us (the "**default notice**") the nominal amount of Notes (which may be less than the outstanding nominal amount of the relevant Global Note or Unrestricted Global Certificate) which is being declared due and payable. Following the giving of the default notice, the holder of the Notes represented by the relevant Global Note or Unrestricted Global Certificate, as the case may be, cleared through CDP may (subject as provided below) elect that direct rights ("**Direct Rights**") under the provisions of the deed of covenant executed as a deed by us on August 31, 2012 (the "**CDP Deed of Covenant**") shall come into effect in respect of a nominal amount of Notes up to the aggregate nominal amount in respect of which such default notice has been given. Such election shall be made by notice to the CDP Paying Agent and the Registrar in the case of the Unrestricted Global Certificate and presentation of the relevant Global Note or Unrestricted Global Certificate, as the case may be, to or to the order of the CDP Paying Agent for reduction of the nominal amount of Notes represented by the relevant Global Note or Unrestricted Global Certificate, as the case may be, by such amount as may be stated in such notice and by endorsement of the appropriate Schedule hereto of the nominal amount of Notes in respect of which Direct Rights have arisen under the CDP Deed of Covenant. Upon each such notice being given, the relevant Global Note or Unrestricted Global Certificate, as the case may be, shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect. No such election may however be made on or before the Exchange Date or the date of transfer in respect of an Unrestricted Global Certificate unless the holder elects in such notice that the exchange for such Notes shall no longer take place.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the Noteholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate except that if the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, notice will in any event be published in accordance with the Conditions.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Memorandum, but will be contained in the applicable Pricing Supplement and thereby in the Global Notes or Global Certificates. While any installments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any installment due on any Partly Paid Notes within the time specified, we may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The proceeds of Notes issued under the Program will be used for general corporate purposes.

BUSINESS

Overview

We are Singapore's longest established local bank, founded in 1932 through the amalgamation of three banks – Chinese Commercial Bank Limited (incorporated in 1912), Ho Hong Bank (incorporated in 1917) and Oversea-Chinese Bank Limited (incorporated in 1919). We are the second largest financial services group in Southeast Asia by total assets as of December 31, 2013. In Singapore, we are the second largest banking group by total assets as of December 31, 2013. We have been named "World's Strongest Bank" by Bloomberg Markets in 2012 and 2011, and ranked second in 2013. We are listed on the SGX-ST, and are one of the largest listed companies in Singapore by market capitalization. Our market capitalization was approximately S\$35 billion (U.S.\$28 billion) as of December 31, 2013, based on the closing price of our ordinary shares.

We are a universal banking group offering a comprehensive range of financial services, including deposit-taking, corporate, enterprise and personal lending, international trade financing, investment banking, private banking, treasury, stockbroking, insurance, credit cards, cash management, asset management and other financial and related services. We employ more than 25,000 staff globally.

We have banking operations in 17 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Taiwan, Thailand, Brunei, South Korea, Japan, Australia, the United Kingdom and the United States. Our key markets are Singapore, Malaysia, Indonesia and Greater China. As of December 31, 2013, we had a global network of over 450 branches and offices, including 58 branches in Singapore, 41 branches in Malaysia, 339 branches and offices in Indonesia, and 16 branches and sub-branches across nine cities in China. In Malaysia, where we have been operating for more than 80 years, our wholly-owned banking subsidiary, OCBC Bank (Malaysia) Berhad ("**OCBC Malaysia**"), is among the largest foreign banks by assets, loans, deposits and branches in the country as of December 31, 2013. In 2004, we increased our presence in Indonesia with the acquisition of a stake in the former Bank NISP, and as of December 31, 2013 we owned an 85.1% stake in the renamed OCBC NISP. In China, where we have maintained a continuous presence since 1925, we established our wholly-owned locally incorporated subsidiary, OCBC China, in 2007.

Our other financial services businesses, such as insurance, private banking, asset management and stockbroking, are conducted mainly through our subsidiaries. Our 87.2%-owned insurance subsidiary, Great Eastern Holdings, which is listed on the SGX-ST, is the oldest and most established life insurance group in Singapore and Malaysia. In January 2010, we completed the acquisition of IAPB, which we combined with our private banking operations, and rebranded the merged business as Bank of Singapore. Bank of Singapore had U.S.\$46 billion in assets under management as of December 31, 2013. Our asset management subsidiary, Lion Global, which is 70%-owned by Great Eastern Holdings and 30%-owned by OCBC Bank, is one of the largest asset-management companies in Southeast Asia as of December 31, 2013.

As of December 31, 2013, we had S\$338,448 million (U.S.\$267,590 million) in assets, including S\$167,854 million (U.S.\$132,712 million) in net customer loans. As of December 31, 2013, we also had S\$195,974 million (U.S.\$154,945 million) in non-bank customer deposits and S\$25,115 million (U.S.\$19,857 million) in shareholders' equity, excluding non-controlling interests.

For the year ended December 31, 2013, we reported profit attributable to equity holders of S\$2,768 million (U.S.\$2,188 million). Our Singapore operations accounted for 58.6% of profit before taxes and 62.2% of total assets in the year ended December 31, 2013, while our Malaysia operations accounted for 25.7% of profit before taxes and 18.0% of total assets in the year ended December 31, 2013.

As of December 31, 2013, our CET1 CAR, Tier 1 CAR and Total CAR were 14.5%, 14.5% and 16.3%, respectively. We have one of the highest credit ratings among banks in Asia, with long-term issuer credit ratings of “Aa1” by Moody’s, “AA-” by S&P and “AA-” by Fitch. In addition, S&P has a “Stable” outlook on our rating. On April 2, 2014, Moody’s announced that it has placed the long-term debt, deposit and standalone ratings of OCBC on review for downgrade. The rating action follows OCBC’s announcement on April 1, 2014, that it has made a general offer to acquire 100% of WHB’s shares. The review of OCBC’s ratings will evaluate OCBC’s ability to successfully finance the transaction and whether a substantial part of the capital raising will be made of core equity. On April 3, 2014, Fitch placed OCBC’s Long-Term and Short-Term Issuer Default Ratings and Viability Rating on Rating Watch Negative, while affirming OCBC’s “1” Support Rating and “A-” Support Rating Floor concurrently. The rating action was taken following OCBC’s announcement on April 1, 2014 that it planned to acquire 100% of WHB’s shares. Fitch expects to resolve the Rating Watch Negative when further details on OCBC’s financing plans for the acquisition becomes available, or if the pre-conditional voluntary general offer is retracted by OCBC.

We have also received numerous awards, including: “World’s Strongest Bank” (Bloomberg Markets, 2011 and 2012), “Asia’s Best Bank” and “Asia’s Most Dynamic Bank” (Financial Insights Innovation Awards 2014), “Best Cash Management Bank in Singapore” (Alpha Southeast Asia Annual Best Financial Institution Awards in SEA, 2012-13), “Best SME Bank in Singapore” (Alpha Southeast Asia Annual Best Financial Institution Awards in SEA, 2013), “Best Bank in Singapore” (Global Finance Best Developed Market Banks, 2013), “Best Retail Bank in Singapore” (The Asian Banker Excellence in Retail Financial Services International Awards, 2013), “Bank of the Year, Singapore” (The Banker, 2012), “Most Innovative Bank in Asia Pacific” (Banking & Payments Asia Trailblazer Awards, 2012), “Best Managed Board” (Singapore Corporate Awards, 2012), “Best Domestic Bank in Singapore” (Asiamoney Best Banks Awards, 2011), ranking at eight in the “Global Top 10 Banks” list (Moody’s, 2011) and “Best Managed Bank in Singapore” (FinanceAsia, 2011).

Strengths

Established regional franchise, with a strong focus on further building our wealth management business

We are the second largest financial services group in Southeast Asia by total assets as of December 31, 2013, with established franchises in our key markets of Singapore, Malaysia, Indonesia and Greater China through our key subsidiaries. We have bank branches and representative offices in 17 countries and territories internationally. In Singapore, we are the second largest banking group by assets as of December 31, 2013. In Malaysia, our subsidiary, OCBC Malaysia is among the largest foreign banks by assets, loans, deposits and branches as of December 31, 2013. Our subsidiary in Indonesia, OCBC NISP, was among the top seven private sector banks by assets as of December 31, 2013.

Our key subsidiaries are among the leading players in their respective markets. Great Eastern Holdings is the oldest and most established life insurance group in Singapore and Malaysia. Lion Global is one of the largest private sector asset management companies in Southeast Asia in terms of assets under management as of December 31, 2013. Our private banking subsidiary, Bank of Singapore, was voted the “Outstanding Private Bank in Asia Pacific” by Private Banker International in 2011 and 2013, with a Highly Commended Award given in 2012.

Wealth management has been a key component of our strategy, contributing 29% of our income in 2013, and we continue to focus on building this business. We are a major distributor of unit trusts and bancassurance products to the mass market segment, and have strong insurance, asset management, private banking, stock brokerage and treasury capabilities that collectively contribute to our wealth management business.

Strong and sustainable earnings capacity, with disciplined cost management

We have achieved strong growth in income and net profit attributable to equity holders in the past three years. From the year ended December 31, 2011 to the year ended December 31, 2013, our compound annual growth rates for total income and profit attributable to equity holders were 8.2% and 9.4%, respectively. Our earnings sources are also well-diversified. For the year ended December 31, 2013, our non-interest income comprised 41.4% of our total income, which was the highest percentage among Singapore banks.

We maintain disciplined cost management practices; the following set out the lowest and highest cost-to-income ratios for each of the three month periods beginning January 1, 2011:

- (a) For the three month period ended March 31, 2012 our cost-to-income ratio was 35.9%;
- (b) For the three month period ended September 30, 2011 our cost-to-income ratio was 46.6%.

Diversified loan book with strong growth drivers

We have a diversified loan book, by both geography and industry, and our policy is to maintain a diversified customer loan portfolio without significant concentrations in any single customer or group of customers. As of December 31, 2013, Singapore accounted for 49.5% of our loans, while international markets, including Malaysia, accounted for 50.5% of our loans. By industry classification, housing loans form the largest segment of our loan portfolio, yet only represented 24.8% of our loans and advances as of December 31, 2013.

We have seen strong loan growth in our key markets over the last three years. From December 31, 2011 to December 31, 2013, our Singapore and Malaysia loans grew at compound annual growth rates of 10.9% and 9.5%, respectively. Our international loans (excluding Malaysia) grew at a compound annual growth rate of 14.9% over the same period. Our total loans grew at a compound annual growth rate of 12.0% over the same period.

Comprehensive risk management framework and healthy asset quality

We have a comprehensive enterprise-wide risk management framework that supports well-considered risk taking and proactive risk management. Our credit risk management framework includes a disciplined process for identifying target markets and setting risk acceptance criteria, regular portfolio reviews and stress testing, a strong emphasis on early problem loan recognition and effective remedial actions, an independent credit risk review function, and adequate staffing and training.

Consistent application of these risk management policies and processes has contributed to a steady improvement in our asset quality over the past 10 years. As of December 31, 2013, our NPL ratio was 0.7%. Our asset quality also held up well during the recent global financial crisis, with an NPL ratio of 1.7% as of December 31, 2009, the lowest ratio among Singapore banks at that point in time.

Sound liquidity and funding structure

We actively manage our liquidity and funding positions to diversify our funding sources and achieve greater cost efficiency. Our funding mix is diversified – as of December 31, 2013, non-bank deposits formed 68.7% of our total funding requirements (total equity and total liabilities excluding life assurance fund liabilities), with low cost current and savings account deposits comprising 46.6% of total non-bank deposits. The increase in the proportion of low cost current and savings account deposits to our total non-bank deposits to the current levels, was largely a result of our key initiatives which include: targeting children's savings accounts with tailored value

propositions for families, introducing the “FRANK by OCBC” banking program for youths and young working adults, acquiring corporate and small and medium-sized enterprises (“**SME**”) operating accounts with our award-winning cash management platform, and enhancing our service offering with our network of full-service Sunday banking branches and introduction of “lite branch” formats at supermarkets and a departmental store.

Our sources of liquidity are stable – 14.0% of our total assets (excluding the life assurance fund investment assets) are in cash and balances with central banks, Treasury bills and government securities as of December 31, 2013. We also have a U.S.\$5.0 billion Euro Commercial Paper Program that we first established in 2004 and upsized to U.S.\$10.0 billion in 2012, and a U.S.\$5.0 billion U.S. Commercial Paper Program that we established in 2011 and upsized to U.S.\$10.0 billion in 2012, each of which can be tapped to diversify our non-Singaporean dollar funding sources. In addition, we have a customer loans-to-customer deposits ratio of 85.7% as of December 31, 2013.

Strong capital ratios

We are regulated by the MAS, which has consistently imposed a stronger regulatory capital regime for Singapore-incorporated banks relative to international standards. The MAS has imposed more stringent capital requirements for Singapore-incorporated banks than the Basel III framework, as each of the Singapore-incorporated banks is systemically important and has a substantial retail presence in Singapore. Singapore-incorporated banks are required to meet minimum CET1 CAR, Tier 1 CAR, and Total CAR of 4.5%, 6.0% and 10.0%, respectively, from January 1, 2013, and CET1 CAR, Tier 1 CAR and Total CAR of 6.5%, 8.0% and 10.0%, respectively, from January 1, 2015. In addition, a capital conservation buffer, to be met with CET1 capital, will begin at 0.625% on January 1, 2016, and reach 2.5% on January 1, 2019.

We maintain a strong capital position to support business growth and strategic investments and to sustain investor, customer and market confidence. We also ensure that our capital adequacy ratios are comfortably above the minimum regulatory requirements. The Group is subject to MAS' Basel III capital adequacy requirements which came into effect on January 1, 2013 and are being progressively phased in between January 1, 2013 and January 1, 2019. As of December 31, 2013, our CET1 CAR, Tier 1 CAR and Total CAR were 14.5%, 14.5% and 16.3%, respectively. These ratios, based on MAS' transitional Basel III rule for 2013, were well above the regulatory minima of 4.5%, 6.0% and 10.0%, respectively.

Strategy

Our clearly-defined strategy of deepening our presence in Singapore and key overseas markets of Malaysia, Indonesia and Greater China provides us with excellent growth opportunities. Anchored by a stable operating platform, we are well-placed to capitalize on the fast growing wealth, trade and capital flows within Asia, and between Asia and the world. The growing internationalization of the RMB will create opportunities for new intermediation channels and products and services. At the same time, changing demographics in our key overseas markets, including social progression and the expansion of the middle class, is driving rapid wealth creation.

Customers at the forefront

We value the trust and confidence that our customers place in us, and are fully committed to helping them achieve their aspirations, by providing comprehensive and innovative financial services that meet their needs. Our distinct competitive strength comes from our comprehensive banking, wealth management and insurance franchise that offers an integrated service platform in meeting our customers' financial needs.

In Retail and Commercial Banking, the connectivity of our regional network will be enhanced to support our customers' growing cross-border activities. We will intensify our efforts to innovate and digitize, and extract further value from our past investments.

Our leading regional Wealth Management franchise is further poised to tap on the rising affluence in our key markets. We will focus on extending Bank of Singapore's position as "Asia's Global Private Bank" through best-in-class product architecture platform and proprietary research. We will expand our regional Premier Banking proposition, and further extend our presence in the growing emerging affluent segment. In Insurance, we see strong potential in the growth of the Takaful business in Malaysia and increasing insurance penetration in Indonesia through our extensive OCBC NISP network, while maintaining our leading bancassurance market share in Singapore.

At the same time, we remain focused on delivering a superior and differentiated customer experience in order to gain a sustainable competitive advantage. The key elements in improving service delivery include leveraging customer insights to develop and implement superior customer value propositions, focusing on quality and investing in customer experience delivery capabilities across our Group.

Deepening presence in Singapore, Malaysia, Indonesia and Greater China

In addition to maintaining our strong market position in our home market, we continue to deepen our presence in Malaysia, Indonesia and Greater China through improving the customer experience, expanding our distribution network and broadening our capabilities.

In Malaysia, we are among the largest foreign banks by assets, loans, deposits and branches. Through OCBC Al-Amin Bank Berhad ("**OCBC Al-Amin**"), we are the only Singapore bank that operates a stand-alone Islamic Bank, while Great Eastern Holdings is the largest insurance company by asset size and agency force in Malaysia. There are excellent prospects for us to expand the scope and scale of Islamic Banking and Takaful products and services, thereby increasing our overall market penetration in Malaysia. In Indonesia, we intend to further develop the enlarged franchise (following the merger of OCBC NISP and PT Bank OCBC Indonesia), drive greater collaboration between OCBC NISP and the Group, and be among the top eight privately-owned national banks in the country. In 2012, we acquired an 80% stake in a securities brokerage business, PT Transasia Securities, which has been renamed to PT OCBC Sekuritas Indonesia ("**OCBC Sekuritas**"), to create an added platform for our expanding wealth management franchise in Indonesia. In China, we will continue to offer our corporate customers an extensive range of RMB and foreign currency products, while facilitating their cross-border trade activities and overseas expansion through OCBC's extensive network. In consumer banking, OCBC China will serve affluent customers under the OCBC Premier Banking brand.

Outside of our core overseas markets, we remain alert to emerging opportunities within ASEAN and focused overseas markets, while supporting our network customers in Australia, US, Europe, Japan and Korea through our branches.

Leveraging group synergies

Our core businesses of banking, wealth management and insurance are closely interlinked, and we continue to direct our efforts to maximize the synergies within the Group. We plan to differentiate ourselves by further leveraging potential synergies among the entities within our Group, which include OCBC Malaysia, OCBC Al-Amin, OCBC NISP, OCBC China, Great Eastern Holdings, Lion Global, Bank of Singapore and OCBC Securities. We seek to broaden relationships with our various sets of customers, increase cross-selling and customer referrals across our Group, enhance operational effectiveness by coordinating the development and more effective deployment of common corporate resources, and balance organic growth with selective acquisitions that fit our overall franchise.

Our Operations

Our main services include deposit-taking, corporate, enterprise and personal lending, international trade financing, investment banking, private banking, treasury, stockbroking, insurance, credit cards, cash management, asset management and other financial and related services. Banking operations are conducted through our domestic and overseas branches, representative offices and subsidiaries. Other financial services, such as insurance, private banking, asset management and stockbroking, are conducted mainly through our subsidiaries.

With effect from January 1, 2012, for the purpose of financial reporting of business segment results, our businesses are presented under five main segments representing the key customer and product groups: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. The presentation has been revised in 2012 with the Global Consumer/Private Banking segment covering consumer banking, private banking and retail brokerage services, and Global Corporate/Investment Banking encompassing corporate banking, corporate finance and capital market solutions. The Global Treasury and Markets segment reflects the management of the Group's asset and liability positions as well as trading activities, with income from products and services offered to customers reflected in the respective business segments. Prior to January 1, 2012, our businesses were presented under the following segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury, Insurance and Others. Where there are material changes in the organizational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. For the year ended December 31, 2011, the "Others" segment comprised private banking, corporate finance, capital markets, property holding, stock brokerages, investment holding and items not attributable to other business segments. For the years ended December 31, 2012 and 2013, the "Others" segment comprised property holding, investment holding and items not attributable to other business segments. The following table sets forth the contributions of the key business segments to our operating profit after allowances and amortization for the periods indicated with the comparative figures for the financial year ended December 31, 2011 restated to conform to the current basis of presentation.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Global Consumer/Private Banking ⁽¹⁾ . . .	489	589	738	583
Global Corporate/Investment Banking ⁽¹⁾	1,389	1,743	1,826	1,445
Global Treasury and Markets ⁽¹⁾	479	619	428	338
Insurance	437	1,299	760	601
Others ⁽¹⁾	154	685	(239)	(189)
Total	2,948	4,935	3,513	2,778

Note:

(1) Comparatives for financial year December 31, 2011 have been restated to conform to the basis of presentation for the years ended December 31, 2012 and 2013.

Global Consumer/Private Banking

Global Consumer/Private Banking provides a full range of products and services to individuals, including deposit products such as checking accounts, savings and term deposits, consumer loans such as housing loans, car loans and other personal loans, credit cards, and wealth management products such as unit trusts, bancassurance products and structured deposits. As of January 1, 2012, Global Consumer/Private Banking also included income from brokerage services and private banking. For the year ended December 31, 2013, this business segment accounted for 21.0% of our operating profit after allowances and amortization, respectively.

In Singapore, we are among the top three banks in consumer banking. As of December 31, 2013, we had a network of 58 branches, which included 13 Premier Banking centers and 17 Sunday Banking centers. In Malaysia, we are one of the longest established banks and serve our customers through a network of 41 branches, comprising 31 conventional branches and eight Islamic Banking branches. In China, of our 16 branches and sub-branches in total, seven main branches and sub-branches in Shanghai and Chengdu currently offer services to individuals. We intend to further leverage our regional network to serve the fast-growing affluent and mass affluent customer segments.

We invest in our service and delivery channels to provide our customers with a superior and differentiated banking experience. Examples of service and delivery improvements include the revamping of our branches in Singapore and Malaysia to integrate design principles and innovations based on extensive research of branch layouts and customer needs, refining the deployment of our ATM fleet across Singapore with new units at high traffic locations to enhance customer accessibility for our customers, and being the first among Singapore banks to offer banking and trading applications on the Apple iPad platform.

We strive to offer quality products and services and to become known for product innovation. Examples of our new products include a series of deposit savings products tailored for mass affluent and Premier customers introduced over the past two years and the OCBC Blue-Chip Investment Plan, a first-of-its-kind product which allows retail investors to automatically invest a fixed sum, in small amounts, every month into a range of blue-chip stocks. In 2012, we introduced the first premium refundable mortgage insurance plan in Singapore, Mortgage Protector Advantage. These latter two products are demonstrations of the synergies within the Group, tapping retail banking, stockbrokerage and insurance capabilities to develop suitable products for our customers.

Savings and Deposits

We offer a comprehensive range of deposit products including savings accounts, checking accounts, term deposits and regular savings plans. We have also developed tailored products to better serve customer needs and preferences at each life-stage. Examples of these tailored products include our Mighty Savers program, targeted at parents of young children, to help inculcate in children a habit of saving, and our “FRANK by OCBC” banking program comprising savings and cards accounts designed for youths and young working adults. In Singapore, we are one of only two banks appointed by the Singapore government to manage Children Development Accounts, savings accounts for children in which deposits by parents are eligible for matching contributions by the Singapore government.

Consumer Loans

Our primary consumer lending products are housing loans and mortgages. We offer our customers a range of fixed rate mortgages, variable rate mortgages as well as mortgages pegged to market benchmark rates. Fixed rate mortgages have fixed rates only for the first two or three years of the loan, after which interest accrues at a higher variable rate. Variable rate mortgages are priced at a margin above or below a reference rate (which is a rate that OCBC Bank may change but typically does so only very infrequently). Mortgages pegged to market benchmark rates are similar to variable rate mortgages except that the benchmark is determined by the market. The typical tenor of a mortgage in Singapore is 30 years, and the interest rate during the first two to three years of the loan is typically lower, as a form of 'teaser' rate.

As of December 31, 2013, our housing loans outstanding amounted to S\$42,075 million (U.S.\$33,266 million).

On June 29, 2013, the MAS implemented a Total Debt Servicing Ratio ("**TDSR**") framework for property loans that aims to promote financial prudence and prevent over-leveraging by property purchasers. Subject to certain exemptions, the TDSR threshold restricts the borrower's monthly total debt obligations to not more than 60% of his gross monthly income. We also offer other lending products to our customers, including car loans, unsecured credit lines and term loans. Car loans are monthly amortizing loans which are typically five year loans priced at a fixed rate. Term loans are secured by other forms of collateral such as equities, cash or insurance policies. Unsecured credit-lines are offered under the EasiCredit brand and are extended to individuals subject to income conditions, credit scoring and credit bureau checks.

See "Customer Loan Portfolio" and "Customer Loan Concentration" below for further discussion on our consumer loans.

Credit and Debit Cards

We offer a range of credit and debit cards, including Visa, Visa Electron, MasterCard and various affinity cards. We were among the first financial institutions to introduce credit cards in Singapore. We grant credit cards on a prudent basis to only a limited segment of our customers. Credit card issuance in Singapore is subject to stringent criteria, including a regulated minimum income requirement of S\$30,000 per year and a limit on total credit lines granted to each cardholder. In addition, all new credit card applications are credit scored and subject to credit bureau checks before approval and card issuance. These measures help to ensure that the industry loss rate on credit cards in Singapore remains relatively low.

Bancassurance

We conduct our bancassurance business through a strategic collaboration with our subsidiary Great Eastern Holdings. We distribute a full range of bancassurance products, including life insurance, term insurance, travel accident and mortgage insurance, single premium capital protected investment plans, annuity plans and investment-linked retirement planning products. Our priority is to provide customers with a one-stop solution for their insurance, financial and retirement planning needs. We are the market leader in bancassurance in Singapore. See "Insurance" below for more information.

Unit Trusts

We offer an extensive range of over 200 unit trust funds offered by 27 fund management companies, including equities, fixed income, and asset allocation as well as specialized alternative investments. Our funds selection process includes vetting such funds based on performance, risk profile and suitability for our customers.

Bank of Singapore

Our wealth management business is carried out mainly by our wholly-owned subsidiary, Bank of Singapore. On January 29, 2010, we completed the acquisition of IAPB and combined the businesses of IAPB and OCBC Private Bank under a wholly-owned subsidiary which was renamed Bank of Singapore. Bank of Singapore is positioned as an Asia-based global private bank and, we believe, is the only dedicated private bank headquartered in Singapore. It has a branch in Hong Kong and offices in Manila and Dubai. Bank of Singapore serves high net worth individuals and wealthy families in Asia, the Middle East and Europe. As of December 31, 2013, Bank of Singapore had assets under management of U.S.\$46 billion.

Bank of Singapore adopts a global private banking approach, offering customers a comprehensive range of products and services on a fully open architecture platform, supported by strong proprietary research and independent advice. It also leverages our extensive regional network and expertise in mortgage financing, retail, commercial and investment banking, stockbrokerage, insurance and investment management.

Following the launch of Bank of Singapore, we conducted a year-long global advertising campaign to build brand recognition, help retain existing customers and attract new customers. The campaign has also enhanced Bank of Singapore's ability to bring in new relationship managers and product specialists from leading global private banks. We have also put in place incentives to encourage cross-sell and referral between OCBC Bank and Bank of Singapore, with good results achieved in the areas of property and business financing, insurance sales, brokerage and treasury transactions, and customer acquisition.

Product Distribution

We deliver our products and services through an array of channels, principally branches, ATMs, internet banking and telephone banking. As of December 31, 2013, we had 58 branches in Singapore that offer traditional teller services and are also staffed by personal financial consultants who are trained and certified to sell bancassurance, unit trusts and investment products. In addition, our recent service enhancements include the introduction of lite branch formats at three supermarkets and a departmental store, which offer banking convenience to shoppers. We are also the only bank in Singapore to offer the widest network of full-service Sunday banking branches. Mortgage customers are serviced through mobile mortgage specialists.

Over the past two years, we made several upgrades to our mobile and internet banking platforms introducing new features such as personal financial management, transaction alerts and payment of any card functions.

As of December 31, 2013, our network of 615 ATMs in Singapore, which include ATMs at all of our branches and self-service hubs, formed part of the shared network of 1,238 ATMs with another Singapore bank, providing our customers with Singapore island-wide coverage, particularly at prime locations, transport hubs and high traffic areas.

Internet banking through our website (www.ocbc.com) and telephone banking are popular alternative means of providing 24/7 service to our customers.

Stockbrokerage

We conduct our stockbrokerage activities in Singapore through our wholly-owned subsidiary, OCBC Securities, which is a member of the Singapore Exchange for both Securities Trading and Derivatives Trading. We offer a full range of brokerage services for globally listed securities, futures and leveraged foreign exchange trading. In addition, we offer initial public offering placement, share margin financing and share borrowing. We provide equities research through OCBC Investment Research.

We service institutional investors including American, British, European and Japanese brokers/dealers, private banks, fund managers, insurance companies, banks and other corporations.

We service retail and high net worth individuals through our retail business, with a team of about 400 trading representatives as of December 31, 2013. Retail clients receive personalized brokerage services, as well as access to 14 global securities exchanges via our iOCBC online trading platform which is available through the personal computers and applications for mobile devices.

Other than our presence in Singapore, OCBC Sekuritas also services Indonesian clients in relation to their trading on the Indonesian Stock Exchange. We offer clients internet trading through regular trading accounts. We also provide leveraged trading via margin accounts and Repo accounts.

Global Corporate/Investment Banking

Global Corporate/Investment Banking provides comprehensive financial services to business customers, ranging from the public sector, large corporate and institutional customers, to SMEs. In addition to our key markets of Singapore and Malaysia, we support our customers in their regional and international trade and investment needs through our offices in Indonesia, Thailand, Vietnam, China, Hong Kong SAR, Taiwan, South Korea, Japan, Australia, the United Kingdom and the United States. Products and services offered include long-term loans such as project financing and syndicated loans, short-term credits such as overdrafts and trade finance, deposit accounts and fee-based services such as cash management. We also extend a comprehensive suite of treasury advisory and investment banking solutions, including corporate finance services for initial public offerings, secondary fund raising, takeovers and mergers, as well as customized and structured equity linked financing, to meet our customers' needs. For the year ended December 31, 2013, this business segment accounted for 52.0% of our operating profit after allowances and amortization.

Loans

We provide a comprehensive range of loans to finance our customers' daily operational needs and support their global investment and expansion plans. These include working capital financing, project financing, commercial property financing, asset-based financing, and short to medium term credit facilities like overdrafts, bridging loans and trade financing.

Our loans are typically made in Singapore dollars, although we also extend loans in foreign currencies, primarily the U.S. dollar. Singapore dollar-denominated loans are generally extended at a spread over our published prime rate or the interbank rate. The spread charged depends on the credit quality of the borrowers, as well as the type and maturity of the loan.

The larger corporates and institutional clients we serve include publicly listed companies, multinational corporations, government-linked agencies, statutory boards, financial institutions and non-bank financial institutions. In respect of large corporates, our focus is on global account management and we provide customized solutions including working capital financing, specialized financing, and structured and project financing, to support their operations and ventures across geographies through our international network.

SME is a key segment and continues to be a focus area. We aim to be the main bank of choice to our customers, providing them with financial products and services to support their growth as they mature through the business life cycle. We demonstrate our commitment to early stage growth and smaller emerging companies by supporting them since their inception.

Cash Management

We provide a suite of cash management solutions, from simple Singapore dollar accounts to more complex accounts receivable, payables and liquidity management solutions. The solutions are tailored to meet our customers' needs, providing them with control over their business finances and allowing them to optimize their working capital, streamline their processes and improve operational efficiency.

Trade Finance

We provide a comprehensive range of global trade finance solutions to international banks and corporates. From standard trade solutions such as letters of credit and simple trade credit lines to complex structured trade solutions, we customize the solutions to help our customers manage risk, improve liquidity and efficiency, and lower their costs.

Global Investment Banking

Global Investment Banking provides capital markets, corporate finance and mezzanine capital financing to our customers, encompassing both conventional and Islamic structures. Global Investment Banking works closely with Global Corporate Banking to develop and tailor products and services for our corporate customers.

Our Capital Markets Group offers loan, bond and structured product origination as well as new product development. We structure, underwrite and manage both syndicated loan products and debt securities for government-linked companies, statutory boards, corporations and SMEs in our key markets. In Singapore, we are one of the leading domestic loan and bond houses.

Our Corporate Finance Group provides equity capital markets and advisory services to our corporate customers. Equity capital market services include initial public offerings and secondary equity issuances such as rights and placement issues. We also offer a range of advisory services, including mergers, acquisitions, divestitures, management buy-outs, privatizations and recapitalizations.

Our Mezzanine Capital Group provides private equity investment and special opportunities financing to private and listed companies. Examples of financing structures include convertible debts, loans with equity kickers, preference shares and ordinary shares with put options.

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Beginning January 1, 2012, income from treasury products and services offered to customers from other business segments such as Global Consumer/Private Banking, Global Corporate/Investment Banking is reflected in the respective business segments. For the year ended December 31, 2013, this business segment accounted for 12.2% of our operating profit after allowances and amortization.

We are among the leading providers of wealth management solutions and hedging solutions for our retail, premier and corporate customers. For retail and premier customers, we offer investment and wealth management solutions (short and long tenors) including structured deposits, foreign exchange-linked, equity-linked, commodity-linked and credit-linked structured deposits, investment products or notes. For our corporate customers, we provide hedging expertise and market knowledge to help customers manage their risks in foreign exchange, interest rates, equities, credit and commodities and other structured solutions. For institutional customers, our team of experienced specialists extend a full range of investment and hedging capabilities in foreign exchange and interest rate derivatives, money market, fixed income and customized structured solutions.

Insurance

Our insurance business is carried out by our 87.2%-owned subsidiary, Great Eastern Holdings, which is the oldest and most established life insurance group in Singapore and Malaysia. Great Eastern Holdings distributes insurance products primarily through its tied agency force and bancassurance channels. Besides Singapore and Malaysia, Great Eastern Holdings also carries out insurance operations in Indonesia, Vietnam and Brunei, and has a joint venture conducting insurance business in China. For the year ended December 31, 2013, insurance accounted for 21.6% of our operating profit after allowances and amortization.

Life Insurance

Great Eastern Holdings' life insurance business provides a range of products, including term assurance, protection and savings products, critical illness cover, medical indemnity and cash cover, personal accident cover, disability cover and annuities across various products classes including participating, non-participating, investment-linked and universal life products.

In Singapore and Malaysia, Great Eastern Holdings operates its life insurance business through its subsidiaries, The Great Eastern Life Assurance Company Limited ("**Great Eastern Life**") and Great Eastern Life Assurance (Malaysia) Berhad ("**GELM**"), respectively. Great Eastern Life and GELM are leading insurers in Singapore and Malaysia in terms of new business sales, total value of in-force business and total assets under management. Great Eastern Life is also a key insurer participating in various government insurance schemes covering a major proportion of the population in Singapore.

Great Eastern Life has also introduced new life insurance products into the Singapore market, including a regular premium endowment plan that offers both projected as well as guaranteed benefits and further enhanced its suite of critical illness products, offering one of the highest payouts for early and intermediate stage critical illnesses. Great Eastern Life also offered the first plan in Asia that provides a simplified definition on occupational disability, paying a monthly income benefit up until retirement age, if one succumbs to injury and is unable to work.

Great Eastern Life has been assigned the "AA-" financial strength and counterparty credit rating from S&P since 2010, making Great Eastern Life one of the most highly rated life insurance companies in Asia.

On September 1, 2010, Bank Negara Malaysia awarded Great Eastern Holdings a Family Takaful license to operate Islamic life insurance through a joint venture set up with Koperasi Angkatan Tentera Malaysia Berhad (Malaysian Armed Forces Co-operative Limited). The joint venture company, Great Eastern Takaful Sdn Bhd, was officially launched on December 10, 2010.

General Insurance

Great Eastern Holdings' general insurance business is underwritten and managed by The Overseas Assurance Corporation Limited ("**OAC**") in Singapore and Overseas Assurance Corporation (Malaysia) Berhad in Malaysia. Great Eastern Holdings' general insurance business offers a wide range of commercial and personal general insurance products through brokers, agents, bancassurance and direct channels across five lines of businesses, namely, fire, motor, workmen compensation, marine cargo and miscellaneous accident.

OAC's financial strength and counterparty credit rating was upgraded to "AA-", following S&P's insurance criteria change in May 2013.

Distribution channels

Great Eastern Holdings distributes insurance products via three main distribution channels – tied agency, bancassurance and financial advisory.

Tied agency is a key distribution channel for Great Eastern Holdings with its combined agency force of over 20,000 agents. In Singapore, Great Eastern Life had an agency force of approximately 3,000 agents as of December 31, 2013. In Malaysia, GELM is present in every major state with a total agency force of approximately 18,000 agents, the largest in the Malaysian life insurance industry.

In 2011, Great Eastern Holdings launched Great Eastern Financial Advisers offering a wide suite of professional financial advisory services on life insurance, general insurance and collective investment schemes. It is the first financial advisory firm in Singapore to adopt a unique business model which combines the strengths of a major insurance company and a financial advisory firm.

Great Eastern Holdings' relationship as a subsidiary of OCBC Bank makes the bancassurance partnership unique from other partnerships in the industry because it allows for closer collaboration and more coordinated initiatives in sales management and product development.

Asset Management

Our asset management business is managed by Lion Global, which is 70%-owned by Great Eastern Holdings and 30%-owned by Orient Holdings Private Limited, a wholly-owned subsidiary of OCBC Bank. Lion Global is one of the largest private sector asset management companies in Southeast Asia as of December 31, 2013. It had S\$31 billion (U.S.\$24 billion) in assets under management as of December 31, 2013. Lion Global offers a comprehensive suite of investment products covering all asset classes to statutory boards, educational institutions, public and private companies, charities, non-profit organizations and retail investors.

Others

The "Others" segment comprises property holding, investment holding and items not attributable to the other four business segments. For the year ended December 31, 2013, our "Others" segment accounted for a negative 6.8% contribution to our operating profit after allowances and amortization.

Our Overseas Bank Subsidiaries and Partner Banks

OCBC Malaysia

We have been operating in Malaysia for more than 80 years and we rank among the largest foreign banks in Malaysia by assets, loans, deposits and branches. We have a network of 31 conventional and 10 Islamic Banking branches, offering a range of specialist financial services that includes consumer, corporate, investment, premier and transaction banking, as well as global treasury services to meet the needs of its customers across communities. OCBC Malaysia offers a broad spectrum of specialist financial services to its customers, a diverse range of individuals and corporate/SME clients, including sole proprietorships and partnerships. OCBC Malaysia has a long-term financial institution rating of "AAA" from RAM Rating Services Berhad.

OCBC Malaysia's wholly-owned Islamic Banking subsidiary, OCBC Al-Amin, was launched on December 1, 2008 and had 10 branches as of December 31, 2013. OCBC Al-Amin offers products and services which are developed based on the applicable Shariah contract and with the endorsement of the Shariah Advisory Committee to meet the requirements of Muslims and non-Muslims alike.

Our new products and services introduced over the last three years include collaborating with the SME Credit Bureau of Malaysia to enable faster and more accurate credit assessment of SMEs in the loan approval process, offering a one-stop payment service to statutory bodies as part of our cash management platform, collaborating with Credit Guarantee Corporation on a portfolio guarantee scheme for SMEs, introducing the commercial bank-backed study loan for students in need, as well as extending our ATM withdrawal facilities via the MEPS network shared services. In addition, over that same period, OCBC Malaysia recorded a number of 'firsts', including being the first foreign bank in Malaysia to issue structured warrants and introducing the first Ringgit-based mortgage loan facility for residential properties in Australia.

OCBC NISP

OCBC NISP is the fourth oldest bank in Indonesia, established in 1941. As of December 31, 2013, OCBC NISP remained among the top seven private sector banks in Indonesia by assets. We have a distribution network of 339 branches and functional offices and 752 ATMs in 60 cities across Indonesia, and staff strength of 6,735 as of December 31, 2013.

Following the completion of the merger of OCBC NISP and PT Bank OCBC Indonesia in 2011, synergies gained from collaborating with the OCBC group of companies have garnered positive results. Several initiatives have also been implemented to increase productivity across OCBC NISP. One key initiative involved various improvement projects covering the areas of customer engagement, order acquisition, order fulfillment and after-sales service. To better serve our affluent customers, we opened three new Premier Centres in 2013, bringing our total in Indonesia to 14.

OCBC China

We have maintained a continuous presence in China since 1925, with the opening of a branch in Xiamen under Oversea-Chinese Bank Limited, one of our predecessor banks. OCBC China was established as a wholly-owned locally incorporated subsidiary on August 1, 2007. As of December 31, 2013, OCBC China's network comprised 16 main and sub-branches in nine major cities, namely Shanghai (where OCBC China is headquartered), Beijing, Chengdu, Chongqing, Xiamen, Tianjin, Guangzhou, Qingdao and Shaoxing.

We offer an extensive range of RMB and foreign currency products for our corporate customers, covering loans, deposits, trade financing, cash management, and treasury solutions. We also facilitate their cross-border trade activities and overseas expansion through OCBC's extensive network. In addition, 2013 marked the first full year of operations for our China Business Office, which was established in September 2012 and is based in Singapore and dedicated to serving the overseas financial requirements of Chinese corporations expanding into South East Asia. In consumer banking, OCBC China has changed its focus to one of serving affluent customers under the OCBC Premier Banking brand. We further expanded the range of our wealth management products when we obtained approval from the China Securities Regulatory Committee in 2013 to distribute local unit trusts.

Collaboration with Bank of Ningbo

We further developed our fruitful partnership with Bank of Ningbo. Our collaboration with Bank of Ningbo in product and business development, offshore financing, trade finance and private banking increased substantially, and we expect the value from such synergistic collaboration to continue increasing as OCBC becomes an effective offshore financial service provider to those customers of Bank of Ningbo who are increasingly investing and conducting business abroad. We own a 15.3% stake in Bank of Ningbo, China. On January 14, 2014, we entered into an agreement to subscribe for additional shares in Bank of Ningbo, which, following the completion of the proposed share subscription expected to be completed sometime in the third quarter of 2014, will

bring our aggregate equity stake in Bank of Ningbo to 20.0% of the enlarged issued capital. Bank of Ningbo is listed on the Shenzhen Stock Exchange and as of December 31, 2013, it has a nationwide network of over 200 branches and sub-branches, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing, Wuxi and Jinhua.

Awards

The table below shows selected key awards and accolades that we have received.

Division	Key Awards and Accolades
OCBC Group	<ul style="list-style-type: none"> • Asia’s Best Bank and Asia’s Most Dynamic Bank: Financial Insights Innovation Awards 2014 • Best Bank in Singapore: Global Finance Best Developed Market Banks 2013 • Bank of the Year 2012, Singapore: The Banker 2012 • World’s Strongest Bank: Bloomberg Markets 2011 & 2012 • Among the World’s 50 Safest Banks: Global Finance 2012 • Best Managed Board (Market Capitalization of S\$1 billion and above) – Gold Award: Singapore Corporate Awards 2012 • Best Managed Bank in Singapore: FinanceAsia 2011 • One of the Top 10 companies in Singapore for Best Corporate Governance, Best Investor Relations, Most Committed to a Strong Dividend Policy & Best Corporate Social Responsibility: FinanceAsia’s 11th Annual Poll of Asia’s Top Companies 2011 • Most Attractive Employer 2013 (Banking & Finance sector): Randstad Award 2013
Global Consumer Financial Services	<ul style="list-style-type: none"> • Best Consumer Credit Product; Best Customer Relationship Management; Best Retail Bank in Singapore: The Asian Banker Excellence in Retail Financial Services International Awards 2013 • Online Securities Platform of the Year – Singapore: Asian Banking & Finance Retail Banking Awards 2012-2013 • Product Excellence in Credit Cards (for OCBC Cashflow Card): Banking & Payments Asia TrailBlazer Awards 2013 • Excellence in Product Delivery Award (for Easi-Credit “Cash-in-3-min”: Financial Insights Innovation Awards 2013 • Excellence in Launch Marketing (Gold) & Excellence in Social Media Marketing (Bronze) (for FRANK by OCBC): Marketing Magazine’s Marketing Excellence Awards 2012

Division	Key Awards and Accolades
Global Consumer Financial Services (Cont'd.)	<ul style="list-style-type: none"> • Product & Service Innovation (for FRANK by OCBC): BAI-Finacle Global Banking Innovation Awards 2012 • Most Innovative in Customer Experience for “FRANK by OCBC”: Financial Insights Innovation Awards 2012 • Best Retail Broker (Merit): SIAS Investors’ Choice Awards 2012 • Banking Initiative of the Year – Singapore; Online Banking Initiative of the Year – Singapore; Branch Innovation of the Year – Gold: Asian Banking & Finance Retail Banking Awards 2012 • Most Innovative Bank in Asia Pacific; Channel Excellence in Branch Banking; Channel Excellence in Internet Banking; Special Commendation for Account Opening; Special Commendation for Debit Cards: Banking & Payments Asia Trailblazer Awards 2012 • Best Online Banking/Securities Initiative for iOCBC Trade Mobile Application: Asian Banking & Finance Retail Banking Awards 2011 • OCBC Investment Research ranked 2nd in “Top Most Award-Winning Brokers” category: StarMine Broker Rankings 2011
Global Corporate Banking	<ul style="list-style-type: none"> • Best Cash Management Bank in Singapore: The Corporate Treasurer Awards 2013 • Best Cash Management Bank in Singapore: Alpha Southeast Asia Annual Best Financial Institution Awards in SEA 2012-2013 • Regional Best Working Capital Solution: The Asset Triple A Treasury, Trade & Risk Management Awards 2013 • Project Finance Deal of the Year Award: Marine Money Offshore 2012 Finance Deal of the Year Awards • Best SME Bank in Singapore: Alpha Southeast Asia Annual Best Financial Institution Awards in SEA 2011-2013 • Domestic Trade Finance Bank of the Year: Asian Banking & Finance Wholesale Banking Awards 2012-2013 • Best in SME Banking: The Asian Banker Excellence in Retail Financial Services International Awards 2012 • Best SME Bank in Singapore: Global Banking & Finance 2012

Division	Key Awards and Accolades
Global Corporate Banking (Cont'd.)	<ul style="list-style-type: none"> • Best ASEAN SME Bank: Asian Banking & Finance Retail Banking Awards 2011-2013 • Best SME Bank (Working Capital Management) Singapore: The Asset Triple A Asian Awards – Transaction Banking 2012-2014 • Best Trade Finance Solution, Singapore: The Asset Triple A Treasury, Trade & Risk Management Awards 2012-2014 • Achievement Award for Cash Management in Singapore: The Asian Banker Transaction Banking Awards 2011 • Achievement Award for Trade Finance in Singapore: The Asian Banker 2011
Global Treasury	<ul style="list-style-type: none"> • Overall Best for Interest Rates Derivatives (Singapore), Overall Best for Interest Rates Derivatives (Indonesia) & Best for Credit Derivatives (Malaysia): AsiaMoney Fixed Income Poll Country Awards 2013 • Best Pricing for Commodities Derivatives for Local Currency Commodities – SGD, Best Sales Service in Commodities Derivatives for Local Currency Commodities – SGD & Best Interest Rates Research & Market Coverage for Local Currency Interest Rates – SGD: AsiaMoney Fixed Income Poll Domestic Awards 2013 • Regional Best Sales Services in Interest Rate Derivatives (ranked 3rd), Regional Best Team for Asian Macroeconomic Research (ranked 2nd) & Best for Overall Interest Rates Research Analyst – Selena Ling (ranked 3rd): AsiaMoney Fixed Income Poll Regional Awards 2013 • Regional Derivatives House of the Year: AsiaRisk Awards 2013 • Best Overall Domestic Provider of FX Services, and Best for FX Products & Services, FX Options, and FX Research & Market Coverage (Singapore): Asiamoney FX Poll 2013 • Best in Treasury & Working Capital, SMEs (Singapore): The Asset Triple A Treasury, Trade & Risk Management Awards 2013
Group Investment Banking	<ul style="list-style-type: none"> • Best Equity/IPO Deal of the Year in Southeast Asia: Alpha Southeast Asia 5th Annual Deal & Solution Awards in Southeast Asia 2011 • Deal of the Year 2010 for Singapore Sports Hub: Euromoney Project Finance Magazine 2011 • APAC PPP Leisure Deal of the Year 2010: Euromoney Project Finance Magazine 2011

Division	Key Awards and Accolades
Insurance	<ul style="list-style-type: none"> • Life Insurance Company of the Year: Asia Insurance Review 17th Asia Insurance Industry Awards 2013 • Brand of the Year; Best Use of Social/Mobile (Gold); Best Use of Experiential/Live Marketing (Gold); Loyalty Programme of the Year (Silver); Best Engagement Strategy for a Female Audience (Silver): Marketing Magazine, 2013 • Trusted Brand Gold Award: Reader's Digest 2010 and 2013 (Singapore) • Top Life Insurer: Reputation Management Associates, 2013 • Private Health Insurance Provider of the Year 2013: Frost & Sullivan, 2013 • Most Established Brand Award: Brand Laureate Corporate Branding Awards 2012-2013 (Malaysia) • Trusted Brand Gold Award: Reader's Digest, 2013 (Malaysia) • Best Life Insurance Company for category asset Rp200b-Rp1t; Best Overall – Insurance Company; Most Competitive Life Insurance CEO: Economic Review Indonesia Insurance Awards 2013 (Indonesia) • 2nd Rank The Best Islamic Life Insurance for category asset <IDR100b; 1st Rank The Most Profitable Investment for category asset <IDR100b: 9th Islamic Finance Award Nights 2013 (Indonesia)
OCBC Malaysia	<ul style="list-style-type: none"> • Best Islamic Project Finance; Best in Treasury and Working Capital, SMEs (Malaysia); Best Trade Finance Solution; Best SME Solution: The Asset Magazine, 2013 • Most Innovative Deal of the Year: RAM Rating Services Bhd 2013 • Credit Card Initiative of the Year – Malaysia: Asian Banking & Finance Magazine 2012 • Best SME (Working Capital) Bank in Malaysia; Best Trade Finance Solution (Islamic) in Malaysia; Best Cash Management Solution in Malaysia: The Asset Magazine 2012 • Best Trade Finance Bank (Foreign Bank Category) in Malaysia; Rising Star Cash Management Bank in Malaysia: The Asset Magazine 2011

Division	Key Awards and Accolades
OCBC China	<ul style="list-style-type: none"> • “Best Wealth Management Brand” by National Business Daily in 2013 • “Best Foreign Bank” and “Best Wealth Management Bank” by Chengdu Business Daily in 2013 • “Golden Elephant Award” for “Top Ten Brands in corporate social responsibility projects in financial services in China” by Money Weekly in 2013 • “Warm-hearted Finance” award by China Financial Herald in 2013
OCBC NISP	<ul style="list-style-type: none"> • Indonesia’s Domestic Retail Bank of the Year: Asian Banking & Finance Magazine, 2011-2013 • Best Corporate Governance: Institute for Corporate Directorship, 2013 • Most Trusted Company in Indonesia: Indonesian Institute for Corporate Governance, 2013 • Enterprise Risk Management Award, Best Human Capital Award and Best Corporate Governance Award: Business Review Magazine, 2012 • Banking Efficiency Award: Bisnis Indonesia Magazine, 2011
Bank of Singapore	<ul style="list-style-type: none"> • Best Private Wealth Management Bank, Singapore and Best Private Wealth Management Bank, Southeast Asia: Alpha Southeast Asia 2011 to 2013 • Best Private Bank in Singapore: Asian Private Banker 2011 to 2013 • Outstanding Private Bank in Asia Pacific: Private Banker International, 2011 & 2013 • Best Private Bank in Singapore: FinanceAsia Country Awards for Achievement 2012 to 2013 • Best Private Bank, Singapore: FinanceAsia, 2010 to 2013
Risk Management	<ul style="list-style-type: none"> • Singapore Quality Class STAR & Singapore Service Class (S-Class) Certifications (for Consumer Credit Risk Management): SPRING Singapore 2013 • Singapore Service Class Certification for Business Banking Commercial Service Centre: Singapore Service Class 2011

Funding

As of December 31, 2013, 68.7% of our funding requirements (total equity and total liabilities excluding life assurance fund liabilities) were attributable to customer deposits, 7.6% attributable to deposits and balances of banks, 9.4% attributable to debt issued, 8.8% from capital and reserves and 5.5% attributable to other sources.

Our deposits of non-bank customers were S\$196 billion (U.S.\$155 billion) as of December 31, 2013. The ratio of customer loans to customer deposits was 85.7% as of December 31, 2013, reflecting that customer deposits were in excess of loan requirements. Singapore dollar-denominated customer deposits accounted for 47.0% of customer deposits as of December 31, 2013. We also source foreign currency funding, mainly in U.S. dollars, from offshore currency markets, domestic money markets in countries in which we operate and through bilateral arrangements with financial institutions in various countries.

The following table sets forth a breakdown of our funding sources as of the dates indicated.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
		<i>(in millions)</i>		
Total equity (excluding non-controlling interests)	22,571	25,804	25,115	19,857
Non-controlling interests	2,819	2,897	2,964	2,343
Deposits of non-bank customers	154,555	165,139	195,974	154,945
Deposits and balances of banks	21,653	25,656	21,549	17,037
Debt issued	13,063	11,424	26,702	21,112
Other borrowings and other liabilities ⁽¹⁾ . . .	13,893	12,636	12,961	10,247
Total	228,554	243,556	285,265	225,541

Note:

(1) Other liabilities do not include life assurance fund liabilities.

The following table sets forth the average balances of our interest bearing liabilities and average interest rates for each of the periods specified below. For purposes of the following table, averages are calculated based on month-end averages. Calculations based on daily averages could yield materially different average results.

	Year ended December 31,								
	2011			2012			2013		
	Average Balance	Average Interest	Average rate	Average Balance	Average Interest	Average rate	Average Balance	Average Interest	Average rate
S\$	S\$	%	S\$	S\$	%	S\$	S\$	%	
	<i>(in millions, except percentages)</i>								
Interest bearing liabilities									
Deposits of non-bank customers . . .	136,485	1,444	1.06	158,564	1,715	1.08	176,775	1,770	1.00
Deposits and balances of banks	22,365	187	0.83	21,346	189	0.89	24,039	178	0.74
Other borrowings ⁽¹⁾ . . .	11,262	279	2.48	17,134	316	1.84	21,295	343	1.61
Total	170,112	1,910	1.12	197,044	2,220	1.13	222,109	2,291	1.03

Note:

(1) Mainly debt issued.

Deposits

We offer a wide variety of deposit accounts, including non-interest bearing demand deposits and interest bearing savings and term deposits. We generally set the deposit rates according to market conditions. Rates offered vary according to the maturity, size and currency of the deposit. Interest is paid on term deposits at a fixed rate. When a term deposit is rolled over, the rate for deposits of the relevant maturity at the time of the roll-over is applied.

The following table sets forth the composition of our deposits.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Deposits of non-bank customers				
Current accounts	43,118	52,904	59,109	46,734
Saving deposits	28,536	30,614	32,209	25,466
Term deposits	65,917	62,438	75,931	60,034
Structured deposits	5,067	4,825	5,634	4,454
Certificate of deposits issued	7,513	10,764	20,456	16,174
Other deposits	4,404	3,594	2,635	2,083
	154,555	165,139	195,974	154,945
Deposits and balances of banks	21,653	25,656	21,549	17,037
Total	176,208	190,795	217,523	171,982

The following table sets forth a breakdown of deposits of our non-bank customers by currency exposure.

	As of December 31,						
	2011		2012		2013		
	S\$	% of total	S\$	% of total	S\$	U.S.\$	% of total
	<i>(in millions, except for percentages)</i>						
Singapore dollar	80,236	51.9	82,095	49.7	92,022	72,756	47.0
U.S. dollar	21,969	14.2	31,455	19.0	45,846	36,248	23.4
Malaysian Ringgit	19,128	12.4	20,739	12.7	22,882	18,091	11.7
Indonesian Rupiah	5,158	3.3	5,835	3.5	4,987	3,943	2.5
Japanese yen	1,781	1.2	1,427	0.9	1,413	1,117	0.7
Hong Kong dollar	2,663	1.7	3,218	1.9	3,364	2,660	1.7
British pound	4,095	2.6	3,372	2.0	6,552	5,181	3.3
Australian dollar	7,499	4.9	8,036	4.9	8,519	6,735	4.4
Euro	1,638	1.1	1,332	0.8	1,970	1,558	1.0
Others	10,388	6.7	7,630	4.6	8,419	6,656	4.3
Total	154,555	100.0	165,139	100.0	195,974	154,945	100.0

The following table sets forth a breakdown of deposits of our bank customers by currency exposure.

	As of December 31,						
	2011		2012		2013		
	S\$	% of total	S\$	% of total	S\$	U.S.\$	% of total
	<i>(in millions, except for percentages)</i>						
Singapore dollar	1,086	5.0	933	3.6	694	548	3.2
U.S. dollar	11,934	55.1	12,649	49.3	12,120	9,583	56.1
Malaysian Ringgit	444	2.0	543	2.1	299	236	1.4
Indonesian Rupiah	89	0.4	298	1.2	124	98	0.6
Japanese yen	–	–	747	2.9	36	28	0.2
Hong Kong dollar	2,357	10.9	3,464	13.5	1,254	991	5.8
British pound	1,075	5.0	532	2.1	636	503	3.0
Australian dollar	1,902	8.8	3,434	13.4	2,705	2,139	12.6
Euro	1,144	5.3	635	2.5	857	678	4.0
Others	1,622	7.5	2,421	9.4	2,824	2,233	13.1
Total	21,653	100.0	25,656	100.0	21,549	17,037	100.0

The following table sets forth a breakdown of our total deposits (including deposits and balances of banks) by the remaining period to contractual maturity as of the dates indicated.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Within 1 week.	92,476	107,249	111,746	88,352
1 week to 1 month.	32,645	31,941	36,646	28,974
1 to 3 months.	23,243	25,548	31,140	24,620
3 to 12 months.	25,069	23,481	32,516	25,708
1 to 3 years	2,115	1,442	4,020	3,178
Over 3 years	660	1,134	1,455	1,150
Total.	176,208	190,795	217,523	171,982

Although our funding consists primarily of short-term deposits, these deposits include savings and current account deposits which historically have been stable, while for term deposits, our experience has been that our non-bank customers generally roll over their deposits at maturity. These deposits have historically provided us with a stable source of long-term funds.

Other Sources of Funding

Interbank Funding

We are a leading participant in domestic and foreign interbank markets and maintain money market lines with a large number of domestic and foreign banks. Typically, we are a net lender in the Singapore dollar interbank market. As of December 31, 2013, we had total deposits and balances of banks of S\$21.5 billion (U.S.\$17.0 billion) (representing 7.6% of total equity funds and total liabilities, excluding life assurance fund liabilities).

Debt issued

The following table sets forth an analysis of our debt issued by remaining time to maturity.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Within 1 week.	468	833	2,491	1,969
1 week to 1 month.	2,620	645	3,659	2,893
1 to 3 months.	4,453	1,478	6,605	5,223
3 to 12 months.	779	717	6,649	5,257
1 to 3 years	730	4,073	3,526	2,788
Over 3 years	4,013	3,678	3,772	2,982
Total.	13,063	11,424	26,702	21,112

Wholesale Funding Programs

To diversify our non-Singapore dollar funding sources, we also have a U.S.\$10.0 billion Euro Commercial Paper Program and a U.S.\$10.0 billion U.S. Commercial Paper Program.

Assets

The following table sets forth our average balances of interest earning assets and average interest rates for each of the periods specified below. For purposes of the following table, averages are calculated based on monthly averages.

	Year ended December 31,								
	2011			2012			2013		
	Average Balance	Interest	Average rate	Average Balance	Interest	Average rate	Average Balance	Interest	Average rate
	S\$	S\$	%	S\$	S\$	%	S\$	S\$	%
	<i>(in millions, except for percentages)</i>								
Interest earning assets									
Loans and advances of non-bank customers . . .	118,744	3,675	3.10	136,137	4,173	3.07	155,236	4,492	2.89
Placements with and loans to banks	34,207	850	2.48	41,890	962	2.30	44,693	772	1.73
Other interest earning assets ⁽¹⁾ . .	29,979	795	2.65	33,716	833	2.47	37,503	910	2.43
Total	182,930	5,320	2.91	211,743	5,968	2.82	237,432	6,174	2.60

Note:

(1) Comprise corporate debts and government securities.

The following table shows our return on our assets and equity for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions, except for percentages)</i>			
Profit attributable to equity holders of the Bank	2,312	3,993	2,768	2,188
Core profit attributable to equity holders of the Bank	2,280	2,825	2,768	2,188
Average total assets ⁽¹⁾	208,319	236,593	264,016	208,741
Average ordinary shareholders' equity ⁽²⁾	19,687	21,673	23,169	18,318
Return on assets (%) ⁽³⁾	1.09	1.19	1.05	
Return on ordinary shareholders' equity (%) ⁽⁴⁾	11.1	12.5	11.6	

Notes:

- (1) Excludes life assurance fund investment assets.
- (2) Preference shares and non-controlling interests are not included in the computation
- (3) Calculated based on core profit.
- (4) Calculated based on core profit less preference share dividends.

Customer Loan Portfolio

As of December 31, 2013, customer loans and advances (net of specific and portfolio allowances) were S\$167.9 billion (U.S.\$132.7 billion), representing 58.9% of total assets excluding life assurance fund investment assets. Gross customer loans and advances as of December 31, 2013 were S\$169.6 billion (U.S.\$134.1 billion). 92.5% of the gross loan portfolio was extended on a floating rate basis and 43.6% was denominated in Singapore dollars. As of December 31, 2013, gross customer loans and advances with credit exposure in Singapore, Greater China and Malaysia accounted for 49.5%, 16.0% and 14.9% of our customer loans and advances, respectively.

Customer Loan Concentration

Our policy is to maintain a diversified customer loan portfolio without significant concentrations in any single customer or group of customers. The following table sets forth our gross customer loan portfolio by industry classification as of the dates indicated.

	As of December 31,						
	2011		2012		2013		
	S\$	% of total	S\$	% of total	S\$	U.S.\$ % of total	
	<i>(in millions, except for percentages)</i>						
Agriculture, mining and quarrying	4,042	3.0	4,863	3.4	6,279	4,964	3.7
Manufacturing	8,424	6.2	8,197	5.7	10,068	7,960	5.9
Building and construction . . .	20,365	15.1	22,388	15.5	24,905	19,691	14.7
Housing	32,076	23.7	37,809	26.3	42,075	33,266	24.8
General commerce	20,347	15.1	17,502	12.2	27,893	22,053	16.4
Transport, storage and communication	9,208	6.8	9,106	6.3	10,989	8,688	6.5
Financial institutions, investment and holding companies ⁽¹⁾	18,792	13.9	22,456	15.5	22,470	17,766	13.3
Professionals and individuals	13,952	10.3	14,272	9.9	16,208	12,815	9.6
Others ⁽¹⁾	7,926	5.9	7,437	5.2	8,733	6,905	5.1
Total	135,132	100.0	144,030	100.0	169,620	134,108	100.0

Note:

(1) Comparatives for December 31, 2011 have been restated to conform to the basis of presentation for the years ended December 31, 2012 and 2013.

Consumer Loans

Housing loans form the largest sector in our total loan portfolio. Housing loans accounted for 24.8% of gross total customer loans and advances as of December 31, 2013. Housing loans are made to individuals for the purchase of residential properties either for owner occupation or for investment.

We also provide loans to professionals and individuals for the purchase of non-residential properties, including commercial and industrial properties. Other consumer lending includes car loans, share financing facilities, credit card receivables, revolving lines of credit and renovation loans.

Customer loans and advances repayable on demand and customer loans and advances maturing in less than one year constituted 39.4% of gross customer loans and advances as of December 31, 2013. The category of gross customer loans and advances with maturities of less than one year, however, includes revolving credit and overdraft facilities, which are typically renewed upon roll-over and, due to actual repayment patterns, may be of a longer term nature.

The following table sets forth an analysis of our gross customer loans and advances by remaining time to contractual maturity.

	As of December 31,					
	2011		2012		2013	
	S\$	% of total	S\$	% of total	S\$	U.S.\$ % of total
	<i>(in millions, except for percentages)</i>					
One year or less	52,023	38.5	52,656	36.5	66,796	52,812 39.4
One to three years	22,817	16.9	25,425	17.7	27,663	21,871 16.3
Over three years	60,292	44.6	65,949	45.8	75,161	59,425 44.3
Total	135,132	100.0	144,030	100.0	169,620	134,108 100.0

Financial Institutions, Investment and Holding Companies

Gross loans to financial institutions, investment and holding companies accounted for 13.3% of gross total customer loans and advances as of December 31, 2013. Major customers include a variety of non-bank financial institutions, such as insurance companies, securities companies and unit trusts, leasing and credit companies and investment companies. Certain holding companies are engaged in property-related activities.

Building and Construction

Gross loans to the building and construction industry were the third largest sector in our total loan portfolio, accounting for 14.7% of gross total loans and advances as of December 31, 2013. We provide funding, mainly on a secured basis, for a variety of projects, such as office buildings and complexes, residential developments, industrial and retail developments. Within the building and construction sector, we also set and monitor limits on the overall mix of projects in order to avoid excess concentration in any one sub-sector.

Other Sectors

As of December 31, 2013, other significant sectors included general commerce (16.4% of gross total customer loans and advances), the manufacturing sector (5.9%), the transport, storage and communication sector (6.5%) and the agriculture, mining and quarrying sector (3.7%).

Loans in the “Others” category accounted for 5.1% of gross customer loans and advances as of December 31, 2013. Such loans cover a wide variety of businesses and include mainly lending to statutory boards, hotels and other SMEs engaged in businesses such as restaurants, entertainment, recreation and business and household services.

Placements With and Loans to Banks

Our placements with and loans to banks amounted to S\$39.6 billion (U.S.\$31.3 billion) (representing 13.9% of total assets excluding life assurance fund investment assets) as of December 31, 2013. Of this amount, S\$24.6 billion was attributable to placements with and loans to banks in Greater China, which was an increase from S\$17.7 billion as of December 31, 2012.

Related Party Lending

As of December 31, 2013, loans made to related parties (which include Directors and entities in which they have control, joint control or significant influence) amounted to S\$72 million.

Foreign Loans

The following table sets forth our gross loans and bills receivable by geography based on the location where the credit risks reside, regardless of where the transactions are booked.

	As of December 31,						
	2011		2012		2013		
	S\$	% of total assets ⁽¹⁾	S\$	% of total assets ⁽¹⁾	S\$	U.S.\$	% of total assets ⁽¹⁾
	<i>(in millions, except for percentages)</i>						
Singapore	68,260	29.9	75,215	30.9	83,920	66,350	29.4
Malaysia	21,064	9.2	23,157	9.5	25,257	19,969	8.9
Indonesia	9,383	4.1	10,679	4.4	11,890	9,401	4.2
Greater China	19,952	8.7	17,379	7.1	27,183	21,492	9.5
Other Asia Pacific	7,873	3.4	8,253	3.4	8,358	6,608	2.9
Rest of the World	8,600	3.8	9,347	3.8	13,012	10,288	4.6
Total	135,132	59.2	144,030	59.1	169,620	134,108	59.5

Note:

(1) Total assets exclude life assurance fund investment assets.

The following table sets forth the composition of our fixed rate loans and our variable rate loans by geography based on where the transactions are booked as of the dates indicated.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
		<i>(in millions)</i>		
Fixed rate loans				
Singapore	6,839	6,130	5,329	4,213
Malaysia	1,366	1,926	2,058	1,627
Indonesia	1,242	1,734	1,517	1,199
Greater China	2,225	1,460	3,751	2,966
Other Asia Pacific	307	57	62	49
Rest of the World	1	1	1	1
Sub-total	<u>11,980</u>	<u>11,308</u>	<u>12,718</u>	<u>10,055</u>
		As of December 31,		
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
		<i>(in millions)</i>		
Variable rate loans				
Singapore	81,963	91,078	111,293	87,993
Malaysia	20,319	21,416	23,460	18,548
Indonesia	4,723	4,981	5,173	4,090
Greater China	9,849	9,130	9,844	7,783
Other Asia Pacific	4,528	4,361	4,258	3,367
Rest of the World	1,770	1,756	2,874	2,272
Sub-total	<u>123,152</u>	<u>132,722</u>	<u>156,902</u>	<u>124,053</u>
Total	<u>135,132</u>	<u>144,030</u>	<u>169,620</u>	<u>134,108</u>

The following table sets forth the foreign country outstandings, where the outstandings in such borrower's country exceeded 1% of OCBC Bank's assets in the relevant year, as of the dates indicated. The foreign country outstandings are classified according to the type of borrower.

	Banks	Government and official institutions	Loans to financial institutions and customers	Total	% of assets ⁽¹⁾
	S\$	S\$	S\$	S\$	%
<i>(in millions, except for percentages)</i>					
December 31, 2011					
People's Republic of China	13,034	289	2,323	15,646	6.8
Malaysia	2,902	17	4,295	7,214	3.2
Hong Kong SAR	2,646	–	4,660	7,306	3.2
Indonesia	1,646	285	4,237	6,168	2.7
United Kingdom	3,435	–	711	4,146	1.8
British Virgin Islands	–	–	4,133	4,133	1.8
United States	1,159	–	2,528	3,687	1.6
Australia	2,514	–	665	3,179	1.4
December 31, 2012					
People's Republic of China	11,448	163	2,469	14,080	5.8
Malaysia	3,127	15	4,698	7,840	3.2
Hong Kong SAR	5,535	–	4,632	10,167	4.2
Indonesia	1,436	229	5,279	6,944	2.8
United Kingdom	3,289	70	1,276	4,635	1.9
British Virgin Islands	–	–	5,130	5,130	2.1
United States	963	477	1,343	2,783	1.1
Australia	1,942	–	715	2,657	1.1
December 31, 2013					
People's Republic of China	25,281	20	3,995	29,296	10.3
Malaysia	3,479	196	5,124	8,799	3.1
Hong Kong SAR	5,651	–	7,805	13,456	4.7
Indonesia	2,142	333	6,785	9,260	3.2
United Kingdom	3,064	45	1,486	4,595	1.6
British Virgin Islands	–	–	4,990	4,990	1.8
United States	2,032	497	1,116	3,645	1.3
Australia	1,900	–	926	2,826	1.0

Note:

(1) Assets (excluding life assurance fund investment assets) of S\$228,669 million as of December 31, 2011, S\$243,672 million as of December 31, 2012 and S\$285,044 million (U.S.\$225,367 million) as of December 31, 2013.

Credit Facilities and Exposure Limits

Section 29 of the Banking Act, Chapter 19 of Singapore (the “**Banking Act**”) and MAS Notice 639 on Exposures to Single Counterparty Groups (“**MAS Notice 639**”), issued pursuant to Section 29 of the Banking Act, set out the limits on our exposure to a single counterparty group, the types of exposures to be included in or excluded from these limits, the basis for computation of exposures, the approach for aggregating exposures to counterparties that pose a single risk to the bank, the recognition of credit risk mitigation and aggregating of exposures at the bank group level.

MAS Notice 639 sets out limits on our “large exposures” and “substantial exposures” to a “single counterparty group” (as respectively defined in MAS Notice 639). In this regard, a bank shall not permit the aggregate of its exposures to any single counterparty group to exceed 25% of the applicable eligible total capital. In addition, the aggregate of its exposures exceeding 10% of the applicable eligible total capital must not exceed 50% or such other percentage of applicable total exposures as may be approved by the MAS.

As of December 31, 2013, our exposure limit was S\$6,242 million (U.S.\$4,935 million).

NPL Management

Consumer NPLs and NPLs of small business enterprises are managed by the Collections Unit of the Group Risk Management Division.

Non-Performing Assets

Total non-performing assets were S\$1,304 million (U.S.\$1,031 million) as of December 31, 2013 compared to S\$1,172 million as of December 31, 2012. Singapore non-performing assets amounted to S\$223 million (U.S.\$176 million) while Malaysia non-performing assets were S\$548 million (U.S.\$433 million) as of December 31, 2013, accounting for 17.1% and 42.0% of total non-performing assets, respectively. Of the total non-performing assets as of December 31, 2013, 64.7% were in the Substandard category while 56.8% were secured by collateral. Our NPL ratio was 0.7% as of December 31, 2013, compared to 0.8% as of December 31, 2012.

Classification of Non-Performing Loans

We classify our loans (including the loans of our branches and subsidiaries operating outside Singapore) in accordance with guidelines adopted by the MAS as well as internal loan grading policies. The MAS guidelines require banks to categorize their loan portfolios into five categories – two categories for performing loans (Pass and Special Mention) and three categories for classified, or non-performing, loans (Substandard, Doubtful and Loss).

Pass loans are loans that show no evidence of weaknesses and timely repayment is not in doubt, whereas Special Mention loans are those that exhibit potential evidence of weakness that, if not corrected in a timely manner, may adversely affect future repayment of these loans.

We classify loans that are non-performing as NPLs and these are assigned credit grades of Substandard, Doubtful or Loss, generally in line with international standards, and in accordance with MAS Notice 612:

- (a) Substandard: Where timely repayment or settlement is at risk.
- (b) Doubtful: Where full repayment and/or settlement are improbable, that is, recovery of the outstanding debt is questionable and prospect of a loss is high, but the exact amount of the loss cannot be accurately determined as yet.
- (c) Loss: Where the outstanding debt is regarded as uncollectible.

Loan Loss Provisioning, Interest Accrual and Write-Off Policies

Our aim is to adopt prudent provisioning policies. We maintain a level of allowances that we deem sufficient to absorb all credit losses inherent in our portfolio, including off-balance sheet credit exposures. Loan loss provisions or allowances comprise portfolio allowances for all loans on books to cover any losses that are not yet evident and specific allowances against each non-performing asset. Portfolio allowances must not fall below the minimum 1% of loans and receivables net of collateral and after deducting any individual impairment provisions that have been made, as prescribed by the transitional arrangement under MAS Notice 612. As of December 31, 2013, we had set aside cumulative portfolio allowances exceeding 1.0% of total loans and advances (including off-balance sheet credit exposures) to non-bank customers (net of specific allowances and collaterals). Specific allowance is established when the present value of future recoverable cash flows of the classified loan is lower than the carrying value of the loan.

Specific allowances as a percentage of total non-performing assets were 21.7%, 26.6% and 18.3% as of December 31, 2011, 2012 and 2013, respectively. Total cumulative allowances (specific and portfolio) as a percentage of total non-performing assets were 106.6%, 141.8% and 134.2% as of December 31, 2011, 2012 and 2013, respectively.

In valuing collateral to determine the unsecured portion of a loan, if any, the forced sale value is used, which is generally a discount to the prevailing market value as assessed by professional valuers. Valuation of collateral will be done as and when we deem it necessary or appropriate (e.g., during periods of falling asset values or when a loan is classified as non-performing). Generally, for NPLs, collateral values are reviewed at least on a quarterly basis.

We stop accruing interest once a loan has been classified as non-performing, whether or not any collateral would be adequate to cover such payments. Once the loan is placed on non-accrual status, any interest accrued but unpaid is reversed.

We write off a particular NPL after our management has determined that the particular NPL is not recoverable, or when little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower.

The following table sets forth information with respect to our non-performing assets by grading and geography. Geography is determined based on where the credit risk resides.

	Total non- performing assets ⁽¹⁾	Sub- Standard	Doubtful	Loss	Secured non- performing assets/ Total non- performing assets	NPL Ratio ⁽²⁾
	S\$	S\$	S\$	S\$	%	%
	<i>(in millions, except for percentages)</i>					
Singapore						
As of December 31, 2011.....	390	205	151	34	61.7	0.5
As of December 31, 2012.....	258	91	119	48	55.2	0.3
As of December 31, 2013.....	223	77	79	67	53.4	0.2
Malaysia						
As of December 31, 2011.....	580	462	72	46	67.0	2.3
As of December 31, 2012.....	432	251	134	47	55.7	1.8
As of December 31, 2013.....	548	331	175	42	58.9	2.1
Indonesia						
As of December 31, 2011.....	77	9	10	58	50.6	0.8
As of December 31, 2012.....	60	6	3	51	47.8	0.6
As of December 31, 2013.....	49	8	5	36	58.7	0.4
Greater China						
As of December 31, 2011.....	42	39	3	–	73.1	0.2
As of December 31, 2012.....	33	28	–	5	87.9	0.2
As of December 31, 2013.....	108	105	2	1	87.1	0.4
Other Asia Pacific						
As of December 31, 2011.....	240	183	57	–	75.6	1.7
As of December 31, 2012.....	281	242	39	–	73.7	3.4
As of December 31, 2013.....	251	208	43	–	62.9	3.0
Rest of the World						
As of December 31, 2011.....	108	94	12	2	80.5	1.2
As of December 31, 2012.....	108	99	7	2	23.3	1.1
As of December 31, 2013.....	125	115	8	2	13.8	0.9
Group						
As of December 31, 2011.....	1,437	992	305	140	67.3	0.9
As of December 31, 2012.....	1,172	717	302	153	57.4	0.8
As of December 31, 2013.....	1,304	844	312	148	56.8	0.7

Notes:

(1) Non-performing assets comprise non-bank loans, debt securities and contingent liabilities.

(2) NPLs exclude debt securities and contingent liabilities.

The following table sets forth information with respect to our allowance coverage by geography.

	Specific allowances/ Total non-performing assets⁽¹⁾	Cumulative allowances/ Total non-performing assets⁽¹⁾
	%	%
Singapore		
As of December 31, 2011	18.1	155.9
As of December 31, 2012	40.8	269.5
As of December 31, 2013	22.5	313.8
Malaysia		
As of December 31, 2011	28.4	78.3
As of December 31, 2012	30.8	104.4
As of December 31, 2013	19.9	81.0
Indonesia		
As of December 31, 2011	58.4	180.1
As of December 31, 2012	66.2	273.2
As of December 31, 2013	57.1	370.6
Greater China		
As of December 31, 2011	7.7	383.0
As of December 31, 2012	10.7	508.9
As of December 31, 2013	0.9	185.3
Other Asia Pacific		
As of December 31, 2011	6.2	40.4
As of December 31, 2012	7.1	40.0
As of December 31, 2013	16.5	50.5
Rest of the World		
As of December 31, 2011	12.8	67.6
As of December 31, 2012	8.8	64.0
As of December 31, 2013	7.1	77.4
Group		
As of December 31, 2011	21.7	106.6
As of December 31, 2012	26.6	141.8
As of December 31, 2013	18.3	134.2

Note:

(1) Non-performing assets comprise non-bank loans, debt securities and contingent liabilities.

Non-Performing Asset Strategy

We have taken steps to manage our asset quality more actively. These steps include an early warning system for potential NPLs, stringent classification and provisioning standards, and two specialized units focusing on loan restructuring and recovery.

The following table sets forth information with respect to the credit quality of our loan portfolio as of the dates indicated.

	As of December 31,					
	2011		2012		2013	
	S\$	% of gross loans	S\$	% of gross loans	S\$	U.S.\$
	<i>(in millions, except for percentages)</i>					
Substandard	796		698		787	622
Doubtful	240		298		308	244
Loss	136		149		144	114
Total non-performing loans	1,172	0.9	1,145	0.8	1,239	980
						0.7

Industry Classification of NPLs

Our NPLs are spread across various industrial sectors, such as manufacturing, building and construction, housing loans and general commerce. Overall, our asset quality remains stable. The following table shows the industry classification of our NPLs as of the dates indicated.

	As of December 31,					
	2011		2012		2013	
	S\$	% of gross loans ⁽¹⁾	S\$	% of gross loans ⁽¹⁾	S\$	U.S.\$
	<i>(in millions, except for percentages)</i>					
Agriculture, mining and quarrying	6	0.1	6	0.1	10	8
Manufacturing	294	3.5	366	4.5	408	322
Building and construction	149	0.7	199	0.9	160	126
Housing	188	0.6	192	0.5	217	172
General commerce	133	0.7	105	0.6	126	100
Transport, storage and communication	128	1.4	77	0.8	100	79
Financial institutions, investment and holding companies ⁽²⁾	130	0.7	88	0.4	45	36
Professionals and individuals	114	0.8	87	0.6	91	72
Others ⁽²⁾	30	0.4	25	0.3	82	65
Total	1,172	0.9	1,145	0.8	1,239	980
						0.7

Notes:

- (1) Computed as a percentage of gross loans within each industry classification
- (2) Comparatives for December 31, 2011 have been restated to conform to the basis of presentation for the years ended December 31, 2012 and 2013.

The following table shows the industry classification of our cumulative specific allowances of loans as of the dates indicated.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
			<i>(in millions)</i>	
Agriculture, mining and quarrying	1	2	2	2
Manufacturing.	90	87	67	53
Building and construction.	25	23	8	6
Housing	39	36	29	23
General commerce.	47	44	33	26
Transport, storage and communication	15	26	6	5
Financial institutions, investment and holding companies	11	9	7	6
Professionals and individuals.	51	57	60	47
Others	23	19	18	14
Total.	302	303	230	182

The following table shows the industry classification of our net specific allowances charged/(written back) of loans to our income statement for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
			<i>(in millions)</i>	
Agriculture, mining and quarrying	#	#	#	#
Manufacturing.	30	26	34	27
Building and construction.	(9)	1	(17)	(13)
Housing	5	4	(2)	(2)
General commerce.	9	9	18	14
Transport, storage and communication	7	17	(13)	(10)
Financial institutions, investment and holding companies	4	(3)	1	1
Professionals and individuals.	30	56	54	43
Others	3	5	6	5
Total.	79	115	81	65

Note:

"#" represents amounts less than S\$0.5 million.

The following table sets forth our non-performing assets analyzed by geography as of the dates indicated. Geography is determined based on where the credit risk resides.

	Singapore	Malaysia	Rest of the World	Total
	S\$	S\$	S\$	S\$
	<i>(in millions)</i>			
As of December 31, 2011:				
Substandard.....	205	462	325	992
Doubtful.....	151	72	82	305
Loss.....	34	46	60	140
Total non-performing assets.....	390	580	467	1,437
Specific allowances.....	(71)	(164)	(78)	(313)
Total non-performing assets net of specific allowances.....	319	416	389	1,124
As of December 31, 2012:				
Substandard.....	91	251	375	717
Doubtful.....	119	134	49	302
Loss.....	48	47	58	153
Total non-performing assets.....	258	432	482	1,172
Specific allowances.....	(105)	(127)	(73)	(305)
Total non-performing assets net of specific allowances.....	153	305	409	867
As of December 31, 2013:				
Substandard.....	77	331	436	844
Doubtful.....	79	175	58	312
Loss.....	67	42	39	148
Total non-performing assets.....	223	548	533	1,304
Specific allowances.....	(50)	(104)	(80)	(234)
Total non-performing assets net of specific allowances.....	173	444	453	1,070

The following table shows our cumulative allowances for loans by geography as a percentage of our total loans, as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	%	%	%
Singapore.....	0.9	0.9	0.8
Malaysia.....	2.1	1.9	1.7
Indonesia.....	1.5	1.5	1.5
Greater China.....	0.8	1.0	0.7
Other Asia Pacific.....	1.2	1.4	1.6
Rest of the World.....	0.8	0.7	0.7
Total.....	1.1	1.1	1.0

Changes in Cumulative Allowances

The following tables show changes in our cumulative specific and portfolio allowances of loans for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions, except for ratios)</i>			
Specific allowances				
Balance at January 1	328	302	304	240
Currency translation	3	(12)	(18)	(14)
Bad debts written off	(101)	(93)	(132)	(104)
Recovery of amounts previously provided for	(49)	(43)	(55)	(44)
Allowances/(write-back of allowances) for loans	128	158	136	108
Net allowances charged to income statement	79	115	81	64
Interest recognition on impaired loans	(7)	(8)	(5)	(4)
Balance as of December 31	302	304	230	182
Ratio of specific allowances at period end to average loans outstanding during the period	0.3%	0.2%	0.1%	

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Portfolio allowances				
Balance at January 1	1,095	1,220	1,351	1,068
Currency translation	(2)	(17)	(23)	(18)
Allowances charged to income statement	127	148	183	145
Balance as of December 31	1,220	1,351	1,511	1,195

Non-Performing Assets Analyzed by Period Overdue

The following table sets forth our non-performing assets analyzed by period overdue as of the dates indicated.

	As of December 31,						
	2011		2012		2013		
	S\$	%	S\$	%	S\$	U.S.\$	
	<i>(in millions, except for percentages)</i>						
Over 180 days	512	35.6	328	28.0	284	224	21.8
Over 90 to 180 days.	85	5.9	81	6.8	155	123	11.9
30 to 90 days.	204	14.2	160	13.7	193	153	14.8
Less than 30 days	25	1.8	10	0.9	11	9	0.8
Not overdue	611	42.5	593	50.6	661	522	50.7
Total.	1,437	100.0	1,172	100.0	1,304	1,031	100.0

Analysis of Non-Performing Assets by Collateral Type

The following table sets forth information with respect to our non-performing assets by collateral type as of the dates indicated.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Property.	620	563	582	460
Fixed deposits	4	3	9	7
Stocks and shares	89	#	1	1
Motor vehicles	2	4	3	2
Secured – Others.	252	104	147	116
Unsecured – Corporate and other guarantees	236	147	170	134
Unsecured – Clean	234	351	392	311
Total.	1,437	1,172	1,304	1,031

Note:

"#" represents amounts less than S\$0.5 million.

Collateralized Debt Obligations

Our collateralized debt obligations (“CDO”) portfolio has been fully provided for since the first quarter of 2009.

Risk Management

We believe that sound risk management is paramount to the success of our risk-taking activities. Our philosophy is to ensure that risks and returns remain consistent with our risk appetite. To achieve this, we proactively identify any emerging portfolio threats and credit concentrations at an early stage in order to develop timely risk-response strategies.

The key elements of our enterprise-wide risk management strategy are:

- *Risk appetite* – The Board of Directors of OCBC Bank (the “**Board of Directors**” or “**Board**”) approves our risk appetite, and that all risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- *Risk frameworks* – Our risk management frameworks for all risk types are documented, comprehensive and consistent.
- *Holistic risk management* – Risks are managed holistically, with a view to understanding the potential interactions among risk types.
- *Qualitative and quantitative evaluations* – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

The Board of Directors and senior management provide the direction to our risk management that emphasizes well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, on-going investments in risk infrastructure, regular review and enhancement of risk management policies and procedures, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Group Audit also provides independent assurance that our risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analyses identify possible events or market conditions that could adversely affect us. These results are taken into account in our capital adequacy assessment and setting of risk limits. This risk management section discusses the risk management practices, policies, and frameworks of OCBC Group, excluding Great Eastern Holdings and OCBC NISP. Great Eastern Holdings and OCBC NISP are listed companies that publish their own annual reports that contain information on their risk management frameworks and practices (for information on Great Eastern Holding’s risk management refer to Note 39 in our financial statements for the year ended December 31, 2013 which are set forth beginning on page F-2 of this Offering Memorandum). Our management collaborates with Great Eastern Holdings and OCBC NISP on aligning their risk management practices to our risk standards through knowledge sharing and training.

All other banking subsidiaries are required to implement risk management policies that conform to our standards including the adoption of stricter local regulations where necessary. Approving authority and limit structures are consistent with the Group to ensure proper ownership and accountability.

Risk Governance and Organization

The Board of Directors establishes our risk appetite and risk principles. The Board Risk Management Committee (“**BRMC**”) is the principal Board committee that oversees our risk management. It reviews and approves our overall risk management philosophy, risk management frameworks, major risk policies, and risk models. The BRMC also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. Our various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for review and action.

The BRMC is supported by the Group Risk Management Division (“**GRM**”), headed by the Group Chief Risk Officer. GRM has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Dedicated GRM risk officers establish Group-wide policies, risk measurement and methodology. They also monitor our risk profiles and portfolio concentrations. Our risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support risk decisions. Compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains market competitive.

Senior management actively manage risks through various risk management committees, such as the Credit Risk Management Committee, the Market Risk Management Committee, the Asset and Liability Management Committee, the Operational Risk and Information Security Committee, as well as the Risk Capital Committee. Both risk-taking and risk control units are represented in these committees, emphasizing shared risk management responsibilities.

Credit officers’ personal approval authority limits are based off internal risk ratings and set according to their relevant experience and qualifications. GRM officers also provide expertise during the design and approval of new products to ensure existing systems and processes are able to adequately support any new product risks.

Basel Requirements

We have implemented MAS Notice 637. MAS Notice 637 has been revised to further raise the quality of regulatory capital base and to enhance risk coverage under Basel III. As part of enhanced public disclosures on risk profile and capital adequacy, we commenced publishing mid-year disclosures on our investor relations website in 2013.

For credit risk, we have adopted the Foundation Internal Ratings-Based (“**F-IRB**”) approach and supervisory slotting criteria to calculate credit risk-weighted assets for major non-retail portfolios, and the Advanced Internal Ratings-Based (“**A-IRB**”) approach for major retail and small business lending portfolios. Other credit portfolios are on the standardized approach (“**SA**”) and they will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type, and maturity.

For market and operational risk, we have adopted the standardized approach. Market risk-weighted assets are marked to market and are risk-weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move toward Internal Model Approach for market risk.

We have also established an internal capital adequacy assessment process (“**ICAAP**”) framework to ensure that we maintain sound capital levels after assessment of all material risks, including under stressed conditions, and remain within the Board approved risk appetite.

Implementing the Basel framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Our management remains vigilant to on-going industry and regulatory developments, including risk-adjusted compensation and higher liquidity and capital requirements.

Credit Risk Management

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. As our primary business is commercial banking, we are exposed to credit risks from loans to retail, corporate, and institutional customers. Trading and investment banking activities, such as trading of derivatives, debt securities, foreign exchange, commodities, securities underwriting, and settlement of transactions, also expose us to counterparty and issuer credit risks.

Credit Risk Management Oversight and Organization

The Credit Risk Management Committee (“**CRMC**”) is the senior management group that supports the Chief Executive Officer and the BRMC in proactively managing credit risk, including reshaping the credit portfolios. The CRMC reviews our credit risk philosophy, framework, and policies, and aligns credit risk taking with business strategy and planning. In addition, the CRMC recommends credit approval authority limits, reviews the risk profile of material portfolios, and highlights any concentration concerns to higher management.

Credit Risk Management (“**CRM**”) departments manage credit risk within pre-determined risk appetite, customer targets, limits and monitor compliance with standards set in risk policies. Dedicated risk functions are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting and remedial loan management.

Regular risk reporting is made to the Board of Directors, the BRMC and the CRMC in a timely, objective, and transparent manner. These reports include detailed profiles on portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio and geography. Such reporting allows senior management to identify adverse credit trends early, formulate and implement timely corrective action, and ensure optimal use of capital resources.

Credit Risk Management Approach

Our credit risk management framework covers the entire credit risk cycle, underpinned by comprehensive credit risk processes, as well as using models to efficiently quantify and manage risks in a consistent manner.

We seek to take only credit risks that meet our underwriting standards, and risks are commensurate with adequate returns to enhance shareholder value. As Fair Dealing remains an integral part of our core corporate values, credit extensions are only offered after a comprehensive assessment of the borrower’s creditworthiness, as well as the suitability and appropriateness of the product offering. In addition, the key to our risk management success lies in the sound judgment of our experienced credit officers.

Lending to Consumers and Small Businesses. Credit risks for the consumer and small business sectors are managed on a portfolio basis with credit programs for mortgages, credit cards, auto loans, commercial property loans, and business term loans. Loans are underwritten that conform to clearly defined target markets, terms of lending and maximum loan sizes. Credit origination source analysis and independent verification of documentation are in place to prevent fraud. The portfolios are closely monitored monthly using MIS analytics. Scoring models are also used in the credit decision process for some products to enable objective, consistent decisions and efficient processing. Behavioral scores are used to identify potential problem credits early to proactively manage the start of collection efforts.

Lending to Corporate and Institutional Customers. Loans to corporate and institutional customers are individually assessed and approved by experienced risk officers. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration management quality, financial and business competitive profiles against industry and economic threats. Collateral or other credit support are also assessed to mitigate and reduce risks. Credit extensions are guided by pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extensions, co-grantor approvals and shared risk ownership are required from both the business unit as well as credit risk functions.

Lending to Private Banking Customers. Credit extensions to our wealth management clients in the Bank of Singapore are subject to comprehensive credit and compliance to loan ratios and margin requirements. Joint approvals from the business and risk units also ensure objectivity. Loan advance rates are dependent on the liquidity, volatility and diversification of the collateral portfolio. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification controls.

Credit Risk from Investment or Trading Activities. Counterparty credit risks from our trading, derivative, and debt securities activities are closely monitored and actively managed to protect against potential losses in replacing a contract if a counterparty defaults. Counterparty credit limits are established for each counterparty following an assessment of the counterparty's creditworthiness in accordance with internal policies, as well as the suitability and appropriateness of the product offering. Credit exposures are also controlled through independent monitoring and prompt reporting of excesses and breaches against approved limits and risk mitigation thresholds.

Securitization Activities. The Group has limited exposure to asset-backed securities and collateralized debt obligations and is not active in securitization activities.

Internal Credit Rating Models

Internal credit rating models are an integral part of our credit risk management, decision-making process, and capital assessment. These internal rating models and the parameters – probability of default (“PD”), loss given default (“LGD”), and exposure at default (“EAD”) – are factors used in limit setting, credit approval, monitoring, reporting, remedial management, stress testing, and internal assessment of the adequacy of capital and provisions.

Model risk is managed under an internal Model Risk Management framework, including an internal ratings framework, to govern the development and validation of rating models and the application of these models. Approval for material models and annual validation results rests with the BRMC. All models are subject to independent validation before implementation to ensure that all aspects of the model development process have met internal standards. The models are developed with active participation by credit experts from risk taking and risk control units. In addition, the models are also subject to annual review (or more frequently, where necessary) and independent validation to ensure that the models are performing as expected, and that the assumptions used in model development remain appropriate. All rating models are assessed against regulatory requirements to ensure compliance.

Our internal risk grades are not explicitly mapped to external credit agency ratings. Nevertheless, our internal risk grades may correlate to external ratings in terms of the probability of default ranges as factors used to rate obligors would be similar; an obligor rated poorly by an external rating agency is likely to have a weaker internal risk rating.

A-IRB for Major Retail Portfolios. We have adopted the Advanced Internal Ratings-Based (“**A-IRB**”) approach for major retail portfolios, including residential mortgages, credit cards, auto loans, as well as small business lending. Internal rating models, developed from internal data, are used to estimate PD, LGD, and EAD parameters for each of these portfolios. Application and behavior scorecards are used as key inputs for several retail PD models. Product, collateral, and geographical characteristics are major factors used in the LGD and EAD models.

F-IRB for Major Non-Retail Portfolios. Our major non-retail portfolios are on the Foundation Internal Ratings-Based (“**F-IRB**”) approach. Under this approach, internal models are used to estimate the PD for each obligor, while LGD and EAD parameters are prescribed by the MAS. These PD models are statistically-based or expert judgment models that use both quantitative and qualitative factors to assess an obligor’s repayment capacity and are calibrated to expected long-term average one-year default rate over an economic cycle. Expert judgment models are typically used for portfolios modeled with low defaults following inputs from relevant internal credit experts. The models also comply with the regulatory criteria for parameterization. For major specialized lending portfolios, risk grades derived from internal models are mapped to the five supervisory slotting categories as prescribed in MAS Notice 637. The risk weights prescribed for these slotting categories are used to determine the regulatory capital requirements for such exposures.

IRB Approach for Securitization Exposures. The credit risk weighted assets for securitization exposures are computed using the ratings-based method for such exposures as prescribed by MAS Notice 637.

Standardized Approach for Other Portfolios. Other credit portfolios, such as private banking and exposures to sovereigns are under the standardized approach, and will be progressively migrated to the ratings-based approaches. Regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies, where available, are used to determine regulatory capital. Approved external rating agencies include Moody’s, S&P and Fitch.

Credit Risk Control

Credit Risk Mitigation. Transactions are entered into primarily on the strength of a borrower’s creditworthiness and ability to repay. To mitigate credit risk, we accept collateral as security, subject to our policies on collateral eligibility. Collateral include both physical and financial assets. The value of collateral is prudently assessed on a regular basis, and valuations are performed by independent qualified appraisers. Appropriate discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. The loan-to-value ratio is a main factor in the secured lending decision. We also accept guarantees from individuals, corporates, and institutions as a form of support.

For derivative contracts, the total credit exposure of the contract is the mark-to-market value plus the estimate of the potential credit exposure over the remaining term of the contract. We calculate such exposures and use statistical modelling tools to estimate the potential worst-case scenario risk. To manage counterparty credit risk, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. A discount is normally applied on the collateral to cover potential adverse market volatility and currency risk. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed an agreed threshold. Master agreements, such as those from the International Swaps and Derivatives Agreement (“**ISDA**”), are also used and these allow for close out netting if either counterparty defaults. Some of our netting and collateral agreements may contain rating triggers, mostly in the event of a one-notch rating downgrade. Given our investment grade rating, there is minimal increase in collateral required to be provided to our counterparties under a one-notch downgrade occurrence.

Managing Credit Risk Concentrations.

Credit risk concentrations may arise from lending to single customer groups, borrowers who are in similar activities, or diverse groups of borrowers being affected by similar economic or market conditions. To manage such concentrations, limits are established for single borrowing groups, products, industry segments, and cross-border transfer risks. These limits are aligned with our business strategy, capacity and expertise. Impact on earnings and capital is also considered during the setting of limits.

We continue to diversify our country exposure as we expand our presence and activities in Greater China and Indonesia. As a key player at home, we have significant exposure to the real estate market in Singapore. Dedicated specialist real estate teams manage this risk with focus on client selection, collateral quality, project viability, and real estate cycle trends. Regular stress tests are also made to identify potential vulnerabilities on the real estate portfolio.

We are in compliance with Section 35 of the Banking Act, which limits our exposure to real estate in Singapore to not more than 35% of our total eligible loan assets.

Remedial Management

We constantly strive to anticipate early problem credits and proactively manage such credits as they start to deteriorate and/or restore to good health. As we value long-term customer relationships, we prefer to work closely with them at the onset of their difficulties. We recognize the opportunity to promote customer loyalty and retention, where appropriate, even as we enforce strict discipline on remedial management. Loans are categorized as “Pass” or “Special Mention”, while NPLs are categorized as “Substandard”, “Doubtful”, or “Loss” in accordance with MAS Notice 612.

We have dedicated specialist workout teams to manage problem exposures. Time, risk-based, and discounted cash flow approaches are used to develop collection and asset recovery strategies. We use information and analytical data such as delinquency buckets and adverse status tags for delinquent consumer loans, to constantly fine-tune recovery efforts to gain optimal effectiveness, and to identify customer retention opportunities.

Impairment Allowances for Loans. We maintain loan allowances that are sufficient to absorb credit losses inherent in our loan portfolio. Total loan loss reserves comprise specific allowances against each NPL and a portfolio allowance for all loans to cover any losses that are not yet evident. Our policy for loan allowances is guided by SFRS 39, as modified by MAS Notice 612.

Specific allowance is established when the present value of future recoverable cash flows of the impaired loan is lower than the carrying value of the loan. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homogenous loans (such as housing loans, consumer loans, and credit card receivables) that fall below a certain materiality threshold. Such loans may be pooled together according to their risk characteristics and collectively assessed according to the degree of impairment severity, taking into account historical loss experience.

Portfolio allowances are set aside based on management’s credit experiences and judgment for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 1% portfolio allowance for loans and receivables net of collateral and after deducting any individual impairment provisions is set aside under the transitional arrangement in MAS Notice 612.

Write-offs. Loans are written off against impairment allowances when the loss can be reasonably determined; i.e. after recovery action has been exhausted or when recovery prospects are deemed remote.

Ceasing of Interest Accrual on Loans. When a loan is classified “Substandard”, “Doubtful”, or “Loss”, interest income ceases to be recognized in the income statement on an accrual basis. However, this non-accrual of interest does not preclude our entitlement to the interest income as it merely reflects the uncertainty in the collectability of such interest income.

Collateral Held Against NPLs. Real estate in Singapore forms the main type of collateral for our NPLs. The realizable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Cross collateralization will only apply when exposures are supported by proper legal documentation.

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, equity and commodity prices or changes in volatility or correlations of such factors. We are exposed to market risks from our trading and client servicing activities.

Our market risk management strategy and market risk limits are established within our risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organization

The Market Risk Management Committee (“**MRMC**”) is the senior management committee that supports the BRMC and the Chief Executive Officer in market risk oversight. The MRMC establishes the market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The MRMC is supported at the working level by the Market Risk Management (“**MRM**”) within GRM. MRM is the independent risk control unit responsible for operationalizing the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for undertaking proactive risk management within their approved trading strategies and investment mandate, while MRM acts as the independent monitoring unit to ensure sound governance. Key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via our new product approval process at product inception. Market risks are also identified by our risk managers from their other on-going interactions with the business units.

Market Risk Measurements

Value-At-Risk. Value-at-risk (“**VaR**”) is a key market risk measure for our trading activities. The BRMC agrees on an aggregate market risk appetite based on VaR. VaR is measured and monitored by its individual market risk components, namely interest rate risk, foreign exchange risk, equity risk and credit spread risk, as well as at the aggregate level. VaR is based on a historical simulation approach and is applied against a one-day holding period at a 99% confidence level. As VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions all the time. As such, losses on a single trading day may exceed VaR, on average, once every 100 days.

Other Risk Measures. As our main market risk measure is interest rate fluctuations, Present Value of a Basis Point (“**PV01**”), which measures the change in value of interest rate sensitive exposures resulting from a one basis point increase across the entire yield curve, is an additional measure monitored on a daily basis. Other than VaR and PV01, we also utilize notional amounts, CS01 (1 Basis Point move in Credit Spreads) and derivative greeks for specific exposure types, where appropriate, to supplement our risk measurements.

Stress Testing and Scenario Analyses. We also perform stress testing and scenario analyses to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to our trading activities, risk profile, and prevailing and forecasted economic conditions. These analyses determine if potential losses from such extreme market conditions are within our risk tolerance.

Risk Monitoring and Control

Limits. Only authorized trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VaR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model Validation. Model validation is also an integral part of our risk control process. Risk models are used to price financial instruments and calculate VaR. We ensure that the models used are fit for their intended purpose through internal verification and assessment. Market rates used for risk measurements and valuation are sourced independently, thereby adding further to the integrity of the trading profits and losses (“**P&L**”), risk and limit control measurements.

To ensure the continued integrity of the VaR model, we conduct back-testing to confirm the consistency of actual daily trading P&L, as well as theoretical P&L against the model’s statistical assumptions.

Asset Liability Management

Asset liability management is the strategic management of the balance sheet structure and liquidity needs covering liquidity sourcing and diversification, structural interest rate and structural foreign exchange management.

Asset Liability Management Oversight and Organization

The Asset Liability Management Committee (“**ALCO**”) is responsible for the oversight of our liquidity and balance sheet risks. The ALCO is chaired by the Chief Executive Officer and includes senior management from the business, risk and support units. The ALCO is supported by the Corporate Treasury within the Group Finance Division. Asset & Liability Management within GRM provides liquidity and balance sheet risk/limit monitoring.

Asset Liability Management Approach

The Asset Liability Management framework comprises liquidity risk management, structural interest rate risk management and structural foreign exchange risk management.

Liquidity Risk. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Our liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing appropriate contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioral basis. Simulations of liquidity exposures under stressed market scenarios are also performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors, products and geographies. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

Structural Interest Rate Risk. The primary goal of interest rate risk management is to ensure that interest rate risk exposures are maintained within defined risk tolerances.

Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of interest rate risk are re-pricing risk, yield curve risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest rate scenarios on the net interest income and the economic value of our equity. Other measures include interest rate sensitivity measures such as PV01 as well as re-pricing gap profile analysis.

Limits and policies to manage interest rate exposures are established in line with our strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Structural Foreign Exchange Risk. Structural foreign exchange exposure arises primarily from net investment in overseas branches, subsidiaries, strategic investments as well as property assets. The objective is to protect capital through identifying, measuring, and managing the potential adverse impact of structural foreign exchange risk on capital deployed. We actively manage this risk through hedges and match funding for foreign currency investments, in order to minimize impact.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk management also covers fiduciary, legal and reputational risks.

Our operational risk management aims to both manage expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

Operational Risk Management Oversight and Organization

The Operational Risk and Information Security Committee (“**ORISC**”) is the senior management committee that oversees the execution of our operational risk management, information security and technology risk practices. ORISC ensures that various risk management programs that are in place are appropriate, effective, and support our business strategy.

The Operational Risk Management (“**ORM**”) department within GRM establishes the ORM framework, including supporting policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control that reside within business, products and process owners. The ORM programs are actively implemented through the respective Operational Risk Coordinators or managers in the business units and subsidiaries. Self-assessment declarations are subject to risk-based independent reviews.

Operational Risk Management Approach

We adopt a framework that ensures operational risks are properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces our control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal.

Each business unit undertakes regular self-assessment on the robustness of its own risk and control environment including meeting all regulatory and legal requirements. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses.

Senior management attest annually to the Chief Executive Officer, Audit Committee and BRMC, on the adequacy and effectiveness of the internal control system, as well as report key control deficiencies and accompanying remedial plans. Operational risk losses and incidents data trends are also analyzed and regularly reported.

The Group Corporate Security function, set up since 2012, brought together Physical and People Security, Business Continuity Management, and Fraud Risk Management under one umbrella. New capabilities and initiatives have been implemented to further strengthen our resiliency and protection of our assets against unexpected events.

Physical and People Security. We recognize that as we expand our regional footprint, our personnel and assets may be exposed to more external threats. The Group Physical Security Policy and Standards provide the baseline safeguard requirements on security for us.

Business Continuity Management. The program aims to reduce the interruption of essential business activities and services during times of crisis. Review and testing of our business recovery strategies and plans are carried out on an annual basis. Every year, senior management also provides an attestation to the BRMC. The attestation includes a measurement of the program's maturity, extent of alignment to MAS guidelines, and a declaration of acceptable residual risk.

Fraud Risk Management. The Group's Fraud Risk Management and Whistle-Blowing programs help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to ORISC and BRMC. Group Audit independently reviews all fraud and whistle-blowing cases, with regular reporting to the Audit Committee.

Reputational Risk Management. Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of our image by customers, counterparties, shareholders, investors and regulators. We have a reputational risk management program which focuses on understanding and managing our responsibilities towards our different stakeholders, and protecting our reputation. A key emphasis of the program is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management. We have a fiduciary risk management program to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The program provides guidelines on regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures, to ensure our compliance with applicable corporate standards.

Regulatory and Legal Risks. Each business unit is responsible for the adequacy and effectiveness of controls in managing both regulatory and legal risks. An annual Regulatory Compliance Certification is provided by senior management to the Chief Executive Officer and BRMC on the state of regulatory compliance.

Information Security and Technology Risk Management Approach

We protect and ensure the confidentiality, integrity, and availability of our information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets.

Enhanced Technology Risk Management Program. New and appropriate security technologies are regularly identified and implemented as part of our holistic approach to managing technology risk. In 2013, we enhanced our Technology Risk Management programs by implementing clearly defined risk appetite statements and on-going monitoring of risks related to compliance, availability and information security.

Cyber Security. With the rise in cyber threats, we have remained an active participant in cyber security initiatives within the banking sector. As chairman of the Association of Banks in Singapore Standing Committee's cyber security awareness programs, we take a leading role in collaborating with industry participants and key government agencies to formulate cyber security awareness programs. Amongst the Standing Committee's key objectives are to influence technology risk management strategies, practices and to recommend solutions to counter cyber threats.

Competition

We compete principally with the local commercial banks and foreign banks in each of our key markets. In Singapore, our competition is principally from DBS Bank Ltd. and United Overseas Bank Limited. We also face competition from a number of additional institutions, including foreign qualifying full banks, wholesale banks and offshore banks, as well as various other types of financial service institutions. As a result of the Singapore government's liberalization of the Singapore banking industry, the number of foreign institutions with foreign full banking licenses and wholesale banking licenses in Singapore has increased over the past ten years. In Malaysia, we compete principally with a number of Malaysian and foreign banks, including Malayan Banking Berhad ("**Maybank**"), CIMB Group Holdings Berhad ("**CIMB**"), Public Bank Berhad and The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**").

Employees

As of December 31, 2013, the OCBC Group had more than 25,000 employees.

We believe that people are our main assets and that their talents and abilities – individually and collectively – can be leveraged to give us a competitive advantage. We set aside approximately 2% of our annual payroll for staff training. Our employees share ownership schemes continue to receive high participation levels.

In addition to continuing skills redevelopment and core competencies training, we have Critical Enabling Skills Training modules to nurture more innovative thinking for continuous improvement. We provide Credit Training program for all lending officers in Singapore and Malaysia.

We are party to the two collective agreements for our unionized colleagues, the OCBC Bank Group Officers' Agreement and the OCBC Bank Group Employees' Agreement. These agreements are generally reviewed once every three years and established through industry-wide negotiations with the unions. We believe we have good relations with our employees.

Employees' Remuneration

The objective of our remuneration policy is to attract, motivate, reward and retain quality staff. Our Board of Directors ensures that the remuneration policies are in line with our strategic objectives and corporate values and do not give rise to conflicts between our objectives and the interests of individual Directors and key executives.

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives. Where relevant, financial measurements, adjusted for the various types of risk, include, if appropriate:

- (a) Operating efficiency measures which include income, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit cost.
- (b) Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets and return on capital.
- (c) Liquidity risk which is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioral maturity of each type of asset and liability booked.

Each business unit (including risk and compliance functions) has its own performance measures that match their functions and objectives. In the determination of remuneration of senior executives, we take into account risk and control indicators.

In determining the composition of the compensation package, we take into account the time horizon of risk and include in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares and share options.

To ensure that our remuneration package is competitive, we regularly review our base salary ranges and benefits package based on market data provided by recognized surveys of comparative groups in the financial sector. For executives, we adopt a performance-driven approach to compensation. The compensation package is linked to personal performance, the performance of the job function as a whole and our overall performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee. As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. In 2009, the Financial Stability Forum (“**FSF**”) developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. Our compensation practices largely meet the FSF principles and implementation standards, and are reviewed regularly to ensure that they continue to meet the FSF principles and implementation standards, if and when there are changes.

The remuneration practices for staff in bargainable positions are established through negotiation with our unions.

Properties

We conduct our property management activities through our wholly-owned subsidiary, OCBC Property Services Private Limited (“**OPS**”). OPS’ core business includes managing our property portfolio to optimize rental income, yields and capital values, supporting our operations through cost-effective spatial planning and professional property management of own-occupied premises, and managing our divestment program for identified properties.

The following table sets forth details of our major properties as of December 31, 2013.

Properties	Purpose	Effective Stake	Gross floor area
Singapore:		%	Sq. ft.
65 Chulia Street, OCBC Centre	Office	100	993,089
63 Chulia Street, OCBC Centre East	Office	100	242,385
18 Church Street, OCBC Centre South	Office	100	118,909
63 Market Street, Bank of Singapore Centre	Office	100	248,996
11 Tampines Central 1	Office	100	115,824
31 Tampines Avenue 4	Office	100	97,572
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building.	Office	100	34,563
260 Tanjong Pagar Road	Office	100	44,940
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146

Properties	Purpose	Effective Stake	Gross floor area
110 Robinson Road	Office	100	22,120
460 North Bridge Road	Office	100	26,576
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889
2 Mt Elizabeth Link	Residential	100	104,377
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920
277 Orchard Road	Retail and hotel	100	72,910 ⁽¹⁾
Malaysia:			
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC . . .	Office	100	243,262
Indonesia:			
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower .	Office	85	362,313
Greater China:			
1155 Yuanshen Road, Pudong, Shanghai	Office	100	249,161

Note:

(1) Refers to land area. The development has a proposed gross floor area of 535,698 sq.ft.

Legal and Regulatory Proceedings

From time to time, we may be involved in legal and regulatory proceedings concerning matters that arise in our day-to-day business operations. However, we are not involved in, and are not aware of, any legal or regulatory proceedings the outcome of which would have a material adverse effect on our business, financial condition, results of operations or prospects.

DESCRIPTION OF OCBC BANK'S SYDNEY BRANCH

OCBC Bank was granted the authority to carry on a banking business in Australia on January 29, 1996 under the Australian Banking Act by APRA. OCBC Bank, Sydney Branch was registered in Australia as a foreign company (overseas) on May 22, 1996 (with Australian Registered Body Number 073598035) under the Australian Corporations Act, with its registered office in Australia at Level 2, 75 Castlereagh Street, Sydney, New South Wales, 2000, Australia. It obtained an Australian financial services license under the Australian Corporations Act on January 16, 2004 (License number 237585). This license authorizes it to carry on a financial services business in Australia to provide financial product advice for certain classes of financial products and to deal in financial products in certain circumstances to retail and wholesale clients.

CAPITALIZATION

The following table sets out our capitalization and indebtedness as of December 31, 2013. The information has been extracted from our audited consolidated financial statements for the financial year ended December 31, 2013. The financial effects of transactions subsequent to December 31, 2013 are not taken into account.

	As of December 31, 2013
	S\$ <i>(in millions)</i>
Short-term liabilities ⁽¹⁾⁽²⁾	
Deposits of non-bank customers	195,974
Deposits and balances of banks	21,549
Trading portfolio liabilities	898
Debt issued	19,404
Other liabilities	12,064
	249,889
Long-term liabilities ⁽²⁾	
Subordinated term notes	3,052
Other notes ⁽³⁾ (unsecured)	4,245
	7,297
Equity	
Share capital	9,448
Total reserves	15,667
	25,115
Attributable to OCBC's equity holders	2,964
	28,079
Total capitalization ⁽⁴⁾	285,265

Notes:

- (1) Short-term indebtedness includes all deposits of bank and non-bank customers and other liabilities including those with remaining term to contractual maturity exceeding one year.
- (2) Short-term and long-term indebtedness exclude life assurance fund liabilities. Long-term indebtedness includes debt issued with remaining term to contractual maturity exceeding one year.
- (3) Includes structured notes, fixed and floating rate notes and commercial paper.
- (4) Total capitalization comprises short-term liabilities, long-term liabilities and total equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon information contained in our audited consolidated financial statements as of and for the year ended December 31, 2013 and the related notes thereto which are set forth beginning on page F-2 of this Offering Memorandum and our audited consolidated financial statements as of and for the years ended December 31, 2011 and 2012 which are incorporated by reference into this Offering Memorandum. You should read the following discussion and analysis in conjunction with our financial statements, including the notes thereto. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Risk Factors" and elsewhere in this Offering Memorandum. Our financial statements have been prepared in accordance with SFRS which differs in certain material respects from U.S. GAAP. Investors should consult their own professional advisors for an understanding of the differences between SFRS and U.S. GAAP, IFRS and the generally accepted accounting principles of other jurisdictions and how those differences might affect the financial information contained in this Offering Memorandum.

Overview

We are Singapore's longest established local bank, founded in 1932 through the amalgamation of three banks. As of December 31, 2013, we were the second largest financial services group in Southeast Asia and the second largest banking group in Singapore by total assets. We have been named "World's Strongest Bank" by Bloomberg Markets in 2011 and 2012, and took second place in 2013. We are listed on the SGX-ST, and are one of the largest listed companies in Singapore by market capitalization.

We are a universal banking group offering a comprehensive range of financial services, including deposit-taking, corporate, enterprise and personal lending, international trade financing, investment banking, private banking, treasury, stockbroking, insurance, credit cards, cash management, asset management and other financial and related services.

We have banking operations in 17 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Taiwan, Thailand, Vietnam, Brunei, South Korea, Japan, Australia, the United Kingdom and the United States. Our key markets are Singapore, Malaysia, Indonesia and Greater China. As of December 31, 2013, we had a global network of over 450 branches and offices, including 58 branches in Singapore, 41 branches in Malaysia, 339 branches and offices in Indonesia, and 16 branches and sub-branches across nine cities in China. In Malaysia, where we have been operating for more than 80 years, our wholly-owned banking subsidiary, OCBC Malaysia, is among the largest foreign banks by assets, loans, deposits and branches in the country as of December 31, 2013. In 2004, we increased our presence in Indonesia with the acquisition of a stake in the former Bank NISP, and as of December 31, 2013 we owned an 85.1% stake in the renamed OCBC NISP. In China, where we have maintained a continuous presence since 1925, we established our wholly-owned locally incorporated subsidiary, OCBC China, in 2007.

Our other financial services businesses, such as insurance, private banking, asset management and stockbroking, are conducted mainly through our subsidiaries. Our 87.2%-owned insurance subsidiary, Great Eastern Holdings, which is listed on the SGX-ST, is the oldest and most established life insurance group in Singapore and Malaysia and is a significant contributor to our profit, accounting for 21.1% of our profit before tax in 2013. In January 2010, we completed the acquisition of IAPB, which we combined with our private banking operations and rebranded as Bank of Singapore. Bank of Singapore had U.S.\$46 billion in assets under management as of December 31, 2013 and our intention is to grow its private banking business to be a major part

of our income. Our asset-management subsidiary, Lion Global, which is 70%-owned by Great Eastern Holdings and 30%-owned by OCBC Bank, is one of the largest asset-management companies in Southeast Asia as of December 31, 2013. As of December 31, 2013, Lion Global had assets under management of S\$31 billion (U.S.\$24 billion). We are also a strong distributor of wealth management products, including bancassurance products and unit trusts, through our consumer banking channels in Singapore, Indonesia and Malaysia. We have built up our treasury and stock brokerage capabilities over the years to support our wealth management business. As such, we consider wealth management to be a key part of our overall business and growth strategy.

As of December 31, 2013, we had S\$338,448 million (U.S.\$267,590 million) in total assets, including S\$167,854 million in net customer loans, S\$39,573 million in placements with and loans to banks, S\$40,212 million in government, debt and equity securities, S\$19,341 million in cash balances and placements with central banks, and S\$53,405 million in life assurance fund investment assets. As of December 31, 2013, we had S\$195,974 million in non-bank customer deposits, S\$21,549 million in deposits and balances of banks, S\$28,079 million in total shareholders' equity (including non-controlling interests), S\$26,702 million in debt issued, and S\$53,183 million in life assurance fund liabilities, respectively.

In the year ended December 31, 2013, we reported profit attributable to equity holders of S\$2,768 million. By geography and as a percentage of our profit before tax, in 2013, Singapore operations accounted for 58.6%, Malaysia operations accounted for 25.7%, Indonesia operations accounted for 5.1%, and Greater China operations accounted for 5.8%. By business segment and as a percentage of our operating profit after allowances and amortization, in the year ended December 31, 2013, Global Corporate/Investment Banking contributed 52.0%, Global Consumer/Private Banking contributed 21.0%, Global Treasury and Markets contributed 12.2%, Insurance contributed 21.6%, with a negative contribution of 6.8% from Others which comprise property holding, investment holding and items not attributable to other business segments. As a percentage of our total income in the year ended December 31, 2013, net interest income accounted for 58.6%, and non-interest income 41.4%.

Recent Developments

Wing Hang Bank

Summary

On April 1, 2014, we announced that we have made a pre-conditional voluntary general cash offer (the "**Offer**") through our wholly owned subsidiary, OCBC Pearl, to acquire the entire issued share capital of WHB, which is listed on the Hong Kong Stock Exchange, at an offer price of HK\$125 per WHB share, or a total of approximately HK\$38,428 million (approximately S\$6,234 million) in cash. We have sufficient financial resources to satisfy full acceptances of the Offer, through our own internal cash and cash-equivalent resources and/or a committed loan facility. The announcements relating to the Offer are publicly available through the SGX-ST and the Hong Kong Stock Exchange.

OCBC Pearl has received irrevocable undertakings to accept the Offer from a number of WHB's shareholders, including the Fung family and BNY International Financing Corporation in respect of the aggregate 44.79% of WHB shares which they hold, as well as from certain other WHB shareholders in respect of an aggregate of 3.37% of WHB shares. In addition to the irrevocable undertakings, OCBC Pearl has also acquired 7,704,500 WHB shares. These shares, together with the shares subject to the irrevocable undertakings, represent approximately 50.66% of the issued share capital of WHB.

The making of the Offer is subject to certain pre-conditions being satisfied, including the obtaining of regulatory approvals. It therefore remains a possibility only. Once made, the Offer is also conditional upon, among other things, us acquiring and/or receiving acceptances under the Offer in respect of more than 50 per cent of WHB shares. We envisage that we will be able to satisfy the acceptance condition based on the irrevocable acceptances received, and the shares which OCBC Pearl has already acquired.

If OCBC Pearl acquires not less than 90% of all WHB shares other than those held by it and parties acting in concert with it, then we intend to exercise the right under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and pursuant to the Hong Kong Code on Takeovers and Mergers to compulsorily acquire all WHB shares not acquired by OCBC Pearl under the Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), WHB will become our wholly-owned subsidiary and an application will be made for the withdrawal of the listing of WHB from the Hong Kong Stock Exchange in accordance with the listing rules of the Hong Kong Stock Exchange.

Rationale for proposed acquisition

Capitalizing on Economic Growth in Greater China and the Increased Connectivity between North and South East Asia

The acquisition of WHB furthers our strategic goal of deepening our presence in our four core markets – Singapore, Malaysia, Indonesia and the Greater China region. We have been focusing our operations on capturing capital, trade, investment and people flows associated with China through our close relationships with our customers in this region, both onshore and offshore.

Today, OCBC China has 16 branches and sub-branches in China. We also have one branch in Hong Kong and another in Taiwan. Our private banking subsidiary, Bank of Singapore, has a branch in Hong Kong.

WHB has a network of 70 branches in Hong Kong, Macau and China. Its expertise in secured and unsecured SME banking in Greater China will complement OCBC China's current focus on corporate banking. As Hong Kong is a leading North Asia hub for wealth management, WHB also presents us with significant opportunities in private banking for Bank of Singapore.

Deepening and Widening Our Product Capabilities and Gaining Access to a Broader Funding Base

The acquisition will deepen and broaden our product capabilities, while providing access to a larger funding base not just in Renminbi and HK dollars, but also U.S. dollars.

Hong Kong is the biggest offshore Renminbi market, with the largest pool of offshore Renminbi deposits. It is likely to retain this competitive advantage due to its geographical proximity to mainland China and its economic and historical ties with the country. WHB will provide us with an established franchise and a sizeable platform from which to grow our Renminbi-denominated businesses.

The range of Renminbi products and services could be developed or enhanced further to include treasury, trade finance, cash management and payments, capital markets and offshore wealth management offerings. In addition, having access to a stable source of retail and wholesale funding via the WHB franchise will support growth of loans denominated in Renminbi.

WHB's deposit base in HK dollars and U.S. dollars will be an additional source of stable funding.

Enhancing Franchise Value through 'Merger of Scope'

The acquisition gives both banks greater scope in product capabilities, network size, customer base and market coverage, with minimal duplication. WHB therefore offers us an opportunity for accelerated growth.

Founded in 1937, WHB is recognized in the Hong Kong banking industry as a well-managed bank helmed by a seasoned and competent management team. In addition to serving corporates and retail customers, WHB has built an SME customer franchise in China and carved a niche for itself in auto and equipment financing in Hong Kong and Macau. These areas of expertise will complement our existing corporate banking focus in Hong Kong and China.

Meanwhile, WHB can leverage our regional platform, sales management and product expertise to give its customers access to a wider range of capabilities. This will allow it to deepen penetration in its existing customer base and build its presence in new customer segments.

We believe we will be well-positioned to serve the cross-border banking needs of WHB's larger corporates. With our broad wealth management platform and our expertise, there are also substantial opportunities for cross-selling wealth and bancassurance products and services to WHB's affluent retail customers and SME entrepreneurs.

Issuance/Redemption of Notes

On March 24, 2014, OCBC Bank, Sydney Branch issued A\$400 million Senior Floating Rate Notes due 2017.

On March 27, 2014, we redeemed S\$711.93 million subordinated notes issued by OCBC Bank.

Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations are affected by numerous factors. The following factors are of particular importance.

Operating Environment

Our performance is dependent to a large extent on the general economic developments in our key markets of Singapore, Malaysia, Indonesia and Greater China, which will affect our ability to grow our loans, fee-based businesses and other non-interest income activities. The overall operating environment also affects the quality of our loan and investment portfolios, and hence the amount of allowances we set aside. In addition, our expenses are dependent on our growth and expansion plans in the region, and impacted by cost and wage pressures in the markets in which we operate.

Like many banks and financial institutions worldwide, we were adversely affected by the global financial crises in 2008 and 2009. The economic downturn resulted in a significant decline in our trading, investment and insurance income in 2008, while allowances for loans and other assets rose sharply in 2008 and remained high in 2009.

Beginning in the second half of 2009, financial markets began to recover, primarily as a result of a globally coordinated central bank intervention and concerted stimulus package, and in 2010, Asia experienced a robust economic recovery underpinned by the region's strong economic fundamentals and a sharp rebound in domestic and external demand. This recovery took place despite the lingering economic uncertainties in the United States and concerns over the levels of sovereign debt in the peripheral Eurozone countries.

In 2011, the regional environment in Asia was dampened by a few key events internationally, particularly in the second half of the year. In Europe, the sovereign debt crisis in Greece and other peripheral Eurozone countries that emerged in late 2009 had not abated despite concerted actions and aid from other European Union countries, leading to fears of contagion and turmoil in financial markets. This was exacerbated by the S&P downgrade of the long-term credit rating of the United States from “AAA” to “AA+” with a negative outlook on August 5, 2011, which caused further loss of investor confidence and increased volatility in financial markets. In Asia, economic conditions had been somewhat affected by interest rate hikes and further tightening of monetary policy in China. In 2011, we achieved healthy growth in our net interest income, backed by strong loan growth, but this was largely offset by lower trading and investment income arising from the volatile market conditions, as well as increased expenses and higher portfolio allowances. Our profit attributable to equity holders grew 2.6% to S\$2,312 million in 2011 from S\$2,253 million in 2010.

In 2012, uncertainty stemming from the Eurozone debt crisis, a weak economic recovery in the U.S., and slowdowns in the Chinese and Indian economies continued to pose significant headwinds to near-term global economic growth. According to the Singapore Department of Statistics, Singapore’s real gross domestic product (“GDP”) growth was 1.3% in 2012, down from 5.2% in 2011, due to weaknesses in externally-oriented sectors, and according to the MAS, Domestic Banking Unit loan growth in Singapore was 16.7% in 2012 down from 30.3% in 2011. Our profit attributable to equity holders grew 72.7% to S\$3,993 million in 2012 from S\$2,312 million in 2011.

As global activity and world trade picked up during the second half of 2013, developing Asia experienced higher growth. Although some volatility in quarterly GDP growth remained, during 2013 Asia economies have benefitted from continued growth in the United States and reduced economic contraction in Europe due to easing of the drag on growth from deleveraging and fiscal consolidation. According to the Singapore Department of Statistics, Singapore’s real GDP growth was 4.1% in 2013, up from 1.3% in 2012, due to growth in construction and services producing industries. According to the MAS, Domestic Banking Unit loan growth in Singapore was 17% in 2013, broadly unchanged from 16.7% in 2012.

Our profit attributable to equity holders decreased to S\$2,768 million in 2013 from S\$3,993 million in 2012.

Interest, Deposit and Lending Rate Changes

Our operating results are driven significantly by our net interest income, which accounted for 58.6% of our total income in 2013, 47.1% of our total income in 2012 and 60.2% in 2011. Net interest income is principally affected by yields on our interest earning assets, costs of interest bearing liabilities and volumes of our interest earning assets and interest bearing liabilities. Our yields and costs are functions of our lending and deposit rates, interbank rates, yields on government and other debt securities, and costs of term debts and other borrowings, which are generally linked to the interest rate environment. In addition, lending and deposit rates are significantly influenced by competition in the markets in which we operate.

Our loans are generally priced either on a fixed rate or floating rate basis. Loans priced at a floating rate refer to those priced at reference lending rates plus or minus a spread, depending on the type of loans and the profile and preference of the borrower. Reference lending rates may be benchmarked with external reference rates, e.g., Singapore swap offer rate (“SOR”) or Singapore interbank offered rate (“SIBOR”), or our own established reference rate, e.g., cost of funds, board rate and prime rate.

Allowances and Asset Quality

Our financial condition and results of operations have been and will continue to be affected by our allowances for loans, debt securities and contingent liabilities. Allowances comprise portfolio allowances for loans, specific allowances for loans, and allowances and impairment charges for other assets.

Non-performing assets comprise non-performing loans and classified debt securities and contingent liabilities. Our total non-performing assets were S\$1,304 million as of December 31, 2013, S\$1,172 million as of December 31, 2012 and S\$1,437 million as of December 31, 2011. During the global financial crisis, our total non-performing assets peaked at S\$1,785 million as of June 30, 2009. Since 2009, non-performing assets have generally declined or remained relatively stable, although there was a marginal increase towards the end of 2011 and in the first quarter of 2012, which was primarily a result of a pre-emptive review of our portfolio against the backdrop of increased volatility in the macroeconomic environment.

Our NPL ratio, defined as the ratio of non-performing loans to gross non-bank loans, was 0.7% as of December 31, 2013, 0.8% as of December 31, 2012 and 0.9% as of December 31, 2011. During the global financial crisis, our quarterly NPL ratio peaked in June 2009 at 2.1%, and has generally improved or remained relatively stable from June 2009 to December 31, 2013.

Our allowance coverage ratio, defined as the ratio of total cumulative allowances to total non-performing assets, stood at 134.2% as of December 31, 2013, 141.8% as of December 31, 2012 and 106.6% as of December 31, 2011. See “Business – NPL Management” for further details of our non-performing assets allowances, and allowance coverage ratio.

Liquidity

Adverse market and economic conditions in the regional and global economy may limit or adversely affect our access to funding required to operate our business. Adverse conditions may also limit or negatively affect our ability to replace maturing liabilities in a timely manner, and access additional capital necessary to grow our business.

68.7% of our funding requirements (total equity and total liabilities excluding life assurance fund liabilities) were contributed by customer deposits as of December 31, 2013. Customer deposits contributed 67.8% and 67.6% of our funding requirements as of December 31, 2012 and December 31, 2011, respectively. A substantial majority of these deposits are denominated in Singapore dollars, Malaysian ringgit and U.S. dollars.

Our sources of funding from banks include domestic and foreign interbank markets, and our money market lines with a number of domestic and foreign banks. Deposits and balances of banks contributed 7.6%, 10.5% and 9.5% of our funding requirements as of December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, we had total customer deposits and balances of banks of S\$217,523 million (U.S.\$171,982 million), representing 76.3% of our funding requirements. Our other sources of funding include debt issued, which include subordinated debt, commercial paper and structured notes, in a variety of currencies, including the Singapore dollar, the U.S. dollar and the Euro. Debt issued accounted for 9.4%, 4.7% and 5.7% of our funding requirements as of December 31, 2013, 2012 and 2011, respectively.

We depend on our ability to continue to attract deposits and to refinance our debt at commercially acceptable rates, and we continue to finance a portion of our operations with short-term funds. We believe our deposits provide a stable base of funding and we maintained a loans-to-deposits (net non-bank loans to non-bank deposits) ratio of 85.7%, 86.2% and 86.4%, as of December 31, 2013, 2012 and 2011, respectively.

Because Basel III weighs certain types of deposits, in particular operating accounts, as fundamentally more stable, we believe these deposits have and will become valuable sources of liquidity for banks. While we have been able to grow our customer deposits steadily over the past few years, we expect that the implementation of Basel III requirements on liquidity coverage ratio beginning in 2015 and net stable funding ratio beginning in 2018 for banks may lead to increased competition for deposits in our key markets over time.

A significant portion of our loan assets are denominated in foreign currencies, in particular U.S. dollars, which creates a potential for funding mismatches. We have entered into, and intend to continue to enter into, cross currency swaps, and issue debt securities in foreign currencies to minimize the risk of funding mismatches.

Regulatory Environment

We expect that our financial condition and operating results will be principally affected by regulatory trends in the banking industry.

Following its review of international financial regulations, on December 16, 2010, the Basel Committee published the Basel III rules text, which presents the details of global regulatory standards on bank capital adequacy and liquidity, aimed at strengthening the resilience of the banking sector.

On January 13, 2011, the Basel Committee also published requirements for all non-common Tier 1 and Tier 2 capital instruments issued on or after January 1, 2013 to be loss absorbing at the point of non-viability.

The MAS has imposed capital adequacy requirements on banks incorporated in Singapore that are higher than the Basel Committee's requirements on the basis that each of the banks incorporated in Singapore is systemically important and has a substantial retail presence in Singapore. Banks incorporated in Singapore have been required to meet minimum CET1 CAR, Tier 1 CAR, and Total CAR of 4.5%, 6.0% and 10.0%, respectively, from January 1, 2013 and will be required to meet CET1 CAR, Tier 1 CAR and Total CAR of 6.5%, 8.0% and 10.0% respectively, from January 1, 2015. In addition, in line with the Basel Committee's requirements, the MAS will introduce a capital conservation buffer of 2.5% above the minimum capital adequacy requirements.

For a more detailed description of regulations to which we are subject, see "Supervision and Regulation".

Insurance Operations

Our insurance business is carried out by our 87.2%-owned subsidiary Great Eastern Holdings, which is listed on the SGX-ST. Great Eastern Holdings contributes a significant portion to our profits. It accounted for 21.1%, 26.1% and 14.5% of our profit before tax in the years ended December 31, 2013, 2012 and 2011, respectively. It accounted for 18.0%, 20.1% and 20.0% of our total assets as of December 31, 2013, 2012 and 2011, respectively.

OCBC Bank is represented on the board of Great Eastern Holdings, including each of the board committees except the audit committee. While the business strategy and operations of Great Eastern Holdings are managed separately by its own management team, we work closely with Great Eastern Holdings on some aspects of our businesses to deliver synergies, such as the distribution of Great Eastern Holdings' insurance products through our banking channels in Singapore, Malaysia and Indonesia, and cross-referrals of our banking products by Great Eastern Holdings' tied agents to their customers in Malaysia.

Life assurance activities contribute the majority of Great Eastern Holdings' profit from insurance operations, with the remainder from general insurance. Reported profit from life assurance accounted for 95.9%, 95.3% and 92.9% of its profit from insurance operations in the years ended December 31, 2013, 2012 and 2011, respectively. In addition, Great Eastern Holdings earns investment income from the investment of its shareholders' funds, and fee income mainly from the fund management activities of its 70%-owned asset-management subsidiary, Lion Global.

The main drivers of Great Eastern Holdings' insurance business are new business sales, investment returns on its life funds, and the long-term profitability of its insurance policies as measured by new business embedded value ("**NBEV**"). New business sales are principally affected by consumer demand, new product launches, the effectiveness of Great Eastern Holdings' distribution channels and competition. Investment returns are principally affected by asset allocation of the life funds, risk profile of the investments, economic environment and market conditions. NBEV is a commonly used technique to estimate the long-term economic value of new business and policies written by a life insurance company. It is defined as the value of projected shareholder distributable profits from new business sold in the year. Great Eastern Holdings analyzes its profit from insurance operations according to the respective funds: the Participating Fund, Non-Participating Fund, Investment Linked Fund, and General Insurance Fund. Typical of the insurance industry, Great Eastern Holdings' accounting profit can be volatile from year to year and from quarter to quarter due to the mark-to-market valuation of its assets and liabilities, and this may also result in some volatility in our profit. The profit volatility arises mainly because policyholders' premiums are invested largely in fixed-income securities and equities, and the valuations of these investments are affected by financial market conditions, including movements in interest rates, credit spreads, equity prices and bond prices. Valuations of policyholder insurance liabilities, i.e., the estimation of the ultimate liabilities arising from claims made under insurance contracts, are also affected by market interest rates used to discount future projected cashflows. For a better understanding of the performance of its underlying insurance business, excluding the impact of mark-to-market valuation of its assets and liabilities, Great Eastern Holdings provides additional disclosure of its operating profit from insurance business. Operating profit is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus net investment income (dividends, coupons, etc.).

Lion Global's fee income is primarily linked to the size of its assets under management and the performance of the funds it manages. Compared to the profits from the life assurance funds, the fund management fee income is relatively more stable, although it is also affected by financial market conditions and investment performance.

Principal Income Statement Components

Income (Loss)

Our principal sources of operating income are net interest income, fees and commissions (net), profit from life assurance and premium income from general insurance, dividends, rental income and other income.

Net Interest Income

Net interest income, or the difference between interest income and interest expenses, is determined by:

- (a) the amount of interest earning assets and interest bearing liabilities;
- (b) the interest spread; and
- (c) the general level of interest rates.

Our principal interest earning assets consist of loans and bills receivable, placements with and loans to banks, debt securities, placements with central banks and Singapore Government treasury bills and securities. Our principal interest bearing liabilities consist of deposits of non-bank customers, deposits and balances of banks and debts issued. We control our exposure to interest rate fluctuations through asset-liability management operations.

Fees and Commissions (Net)

Our fees and commissions (net) is the difference between our fee and commission income and our fee and commission expense, which we derive or incur from the following sources: brokerage, fund management, distribution of wealth management products and services, loan-related activities, service charges, trade-related activities and remittances, guarantees and others.

Profit from Life Assurance

Great Eastern Holdings' profit from life assurance forms part of our non-interest income in our consolidated income statement. It is presented as the difference between life assurance income and life assurance expense, and is determined by:

- (a) the amount of regular and single premiums received;
- (b) the net investment income generated during the period by the respective life funds;
- (c) the amounts paid out for claims, surrenders and annuities;
- (d) the change in life assurance fund contract liabilities; and
- (e) expenses, including commissions and agency expenses, acquisition costs, reinsurance costs and management expenses.

Profits to shareholders from the Participating Fund are allocated from the surplus or surplus capital of the fund, determined from the results of annual actuarial valuation parameters which are set out in the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. The provisions in the Articles of Association of the insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the Participating Fund and shareholders approximate 90% and 10%, respectively, of total distribution from the Participating Fund.

For the Singapore life assurance business, the profits from the Non-Participating Fund and Investment Linked Fund are presented net of tax as the tax liability is borne by these respective funds. The profits from the Participating Fund in Singapore, and from all the Malaysia life assurance business, are before tax.

Apart from profit from life assurance, Great Eastern Holdings also contributes to other items in our total income, including net interest income and other non-interest income items.

Premium Income from General Insurance

Premium income from general insurance is the insurance premiums received from Great Eastern Holdings' general insurance business.

Dividends

We derive dividends from our portfolio of available-for-sale securities and trading securities.

Rental Income

We derive our rental income from investment properties that we lease to tenants.

Other Income

The principal components of our other income are net trading income, disposal of securities classified as available-for-sale and disposal of securities classified as loans and receivables. Our net trading income comprises principally foreign exchange income (which includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities), net income from hedging activities (which arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying hedged items), net income from interest rate and other derivatives (which include gains and losses from interest rate, equity options and other derivative instruments) and net income from trading securities.

Operating Expenses

Our operating expenses comprise staff costs and other operating expenses.

Staff Costs

Staff costs comprise salaries and other costs, share-based expenses in relation to our employee share option scheme and employee share purchase plan, contribution to defined contribution plans and directors' emoluments.

Other Operating Expenses

Other operating expenses comprise: (a) depreciation costs, maintenance and hire costs, rental and other expenses relating to our property, plant and equipment, including direct operating expenses on leased investment property; (b) auditors' remuneration and other fees; (c) general insurance claims; and (d) others, which includes communication, stationery and business promotion expenses and legal and professional fees.

Allowances for Loans and Impairment for Other Assets

Allowances for loans and impairment for other assets includes specific and portfolio allowances for loans and impairment charges for available-for-sale securities and other assets (including property, plant and equipment and Government and debt securities).

Critical Accounting Policies

We have prepared our financial statements contained elsewhere in this Offering Memorandum in accordance with SFRS. Note 2 to our audited consolidated financial statements for the year ended December 31, 2013 incorporated in this Offering Memorandum includes a summary of the significant accounting policies and methods we used in preparing these financial statements. The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions.

The following accounting policies are those that we believe are or will be the most critical to a full understanding and evaluation of our reported and future financial results because they involve estimates of matters that are inherently uncertain.

Impairment of Goodwill and Intangible Assets

We perform an annual review of the carrying value of our goodwill and intangible assets, against the recoverable amounts of cash generating units to which the goodwill and intangible assets have been allocated. Recoverable amounts of cash generating units are determined based on the present value of estimated future cash flows expected to arise from the respective cash generating units continuing operations. Management exercises its judgment in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the cash generating units.

Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognized at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as “day one profit and loss” is not recognized immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is amortized over the life of the transaction, released when the instrument’s fair value can be determined using market observable inputs, or when the transaction is derecognized.

Income Taxes

We are subject to income taxes in several jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses in estimating the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Impairment of Loans

We assess impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collaterals, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans.

The portfolio allowances set aside for unimpaired loans are based on management's credit experiences and judgment, taking into account geographical and industry factors. We maintain a minimum 1% portfolio allowance in accordance with the transitional arrangement set out in MAS Notice 612 on Credit Files, Grading and Provisioning ("**MAS Notice 612**"). The assumptions and judgments we use may affect these allowances.

Impairment of Available-for-Sale Financial Assets

We follow the guidance of SFRS 39 in determining when an investment is impaired. This determination requires significant judgment. We evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is the most critical accounting estimate for Great Eastern Holdings. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that will ultimately be required to be paid as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, lapses, voluntary terminations, investment returns and administration expenses. Great Eastern Holdings relies on standard industry reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders, and ensure adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

At each balance sheet date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date.

For further information on the significant accounting policies with respect to Great Eastern Holdings, see Note 2 to our audited consolidated financial statements for the year ended December 31, 2013.

Insurance Contract Classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to us. We exercise judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether we are required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

Recent Accounting Pronouncements

We adopted various new or revised financial reporting standards and interpretations that became effective from January 1, 2013. See Note 2.1 of the notes to our audited consolidated financial statements for the year ended December 31, 2013 for a summary of these standards and interpretations. The initial application of these standards and interpretations does not have any material impact on our consolidated financial statements.

Results of Operations

The following table provides a breakdown of our income statement for the periods indicated. You should read this table together with our financial statements, including the notes thereto, appearing elsewhere in this Offering Memorandum.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions)</i>			
Total interest income	5,320	5,968	6,174	4,881
Total interest expense	(1,910)	(2,220)	(2,291)	(1,811)
Net interest income	3,410	3,748	3,883	3,070
Non-interest income	2,250	4,213	2,738	2,165
Total income	5,660	7,961	6,621	5,235
Staff costs	(1,448)	(1,650)	(1,715)	(1,356)
Other operating expenses	(982)	(1,045)	(1,069)	(845)
Total operating expenses	(2,430)	(2,695)	(2,784)	(2,201)
Operating profit before allowances and amortization	3,230	5,266	3,837	3,034
Amortization of intangible assets	(61)	(60)	(58)	(46)
Allowances for loans and impairment for other assets	(221)	(271)	(266)	(210)
Operating profit after allowances and amortization	2,948	4,935	3,513	2,778
Share of results of associates and joint ventures	7	27	54	42
Profit before income tax	2,955	4,962	3,567	2,820
Income tax expense	(476)	(699)	(597)	(472)

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
			<i>(in millions)</i>	
Profit for the year	2,479	4,263	2,970	2,348
Profit attributable to:				
Equity holders of the Bank	2,312	3,993	2,768	2,188
Non-controlling interests	167	270	202	160
	<u>2,479</u>	<u>4,263</u>	<u>2,970</u>	<u>2,348</u>

Segment Information

Business Segments

With effect from January 1, 2012, for the purpose of financial reporting of business segment results, our businesses are presented under five main segments representing the key customer and product groups: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. The presentation was revised in 2012 with the Global Consumer/Private Banking segment covering consumer banking, private banking and retail brokerage services, and Global Corporate/Investment Banking encompassing corporate banking, corporate finance and capital market solutions. The Global Treasury and Markets segment reflects the management of the Group's asset and liability positions as well as trading activities, with income from products and services offered to customers reflected in the respective business segments. Prior to January 1, 2012, our businesses were presented under the following segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury, Insurance and Others. Where there are material changes in the organizational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. For the year ended December 31, 2011, the "Others" segment comprised private banking, corporate finance, capital markets, property holding, stock brokerages, investment holding and items not attributable to other business segments. For the years ended December 31, 2012 and 2013, respectively, the "Others" segment comprised property holding, investment holding and items not attributable to the other business segments. For ease of comparison, comparatives for the financial year ended December 31, 2011, have been reclassified to conform to the current basis of presentation.

The following tables show the breakdown of total income and operating profit after allowances and amortization by business segment.

Total Income	Year ended December 31,						
	2011		2012		2013		
	S\$	%	S\$	%	S\$	U.S.\$	%
	<i>(in millions, except for percentages)</i>						
Global Consumer/ Private Banking ⁽¹⁾	1,698	30.0	1,949	24.5	2,188	1,730	33.1
Global Corporate/ Investment Banking ⁽¹⁾	2,336	41.3	2,655	33.4	2,810	2,222	42.4
Global Treasury and Markets ⁽¹⁾	693	12.2	845	10.6	641	507	9.7
Insurance	672	11.9	1,537	19.3	988	781	14.9
Others ⁽¹⁾⁽²⁾	262	4.6	975	12.2	(6)	(5)	(0.1)
Total	5,661	100.0	7,961	100.0	6,621	5,235	100.0

Operating Profit After Allowances and Amortization	Year ended December 31,						
	2011		2012		2013		
	S\$	%	S\$	%	S\$	U.S.\$	%
	<i>(in millions, except for percentages)</i>						
Global Consumer/ Private Banking ⁽¹⁾	489	16.6	589	11.9	738	583	21.0
Global Corporate/ Investment Banking ⁽¹⁾	1,389	47.1	1,743	35.3	1,826	1,445	52.0
Global Treasury and Markets ⁽¹⁾	479	16.3	619	12.6	428	338	12.2
Insurance	437	14.8	1,299	26.3	760	601	21.6
Others ⁽¹⁾⁽²⁾	154	5.2	685	13.9	(239)	(189)	(6.8)
Total	2,948	100.0	4,935	100.0	3,513	2,778	100.0

Notes:

- (1) Comparatives for the financial year ended December 31, 2011, have been restated to conform to current year's presentation.
- (2) The "Others" segment comprised property holding, investment holding and items not attributable to the other business segments.

For further details of our business segments, see Note 38.1 of the notes to our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013, respectively.

In addition to the above classifications, we also regard our wealth management related businesses as an important part of our business. Our wealth management income, comprising consolidated income from our insurance, asset management, stockbroking and private banking subsidiaries, plus our income from the sales of unit trusts, bancassurance products, structured deposits and other treasury products to consumer customers, increased from S\$1,285 million in 2011 to S\$1,836 million in 2012 and to S\$1,927 million (U.S.\$1,524 million) in 2013. In the table on total income by business segments, the wealth management income is spread across the different segments.

Geographic Segments

We also classify our business activities by geographical segments. The following tables show the breakdown of total income and profit before income tax by geographic segment.

Total Income	Year ended December 31,						
	2011		2012		2013		
	S\$	%	S\$	%	S\$	U.S.\$	%
	<i>(in millions, except for percentages)</i>						
Singapore	3,444	60.8	5,472	68.7	4,079	3,225	61.6
Malaysia	1,220	21.6	1,307	16.4	1,401	1,108	21.2
Indonesia	417	7.4	466	5.9	503	398	7.6
Greater China	387	6.8	487	6.1	385	304	5.8
Other Asia Pacific	140	2.5	150	1.9	155	123	2.3
Rest of the World	53	0.9	79	1.0	98	77	1.5
Total	5,661	100.0	7,961	100.0	6,621	5,235	100.0

Profit before income tax	Year ended December 31,						
	2011		2012		2013		
	S\$	%	S\$	%	S\$	U.S.\$	%
	<i>(in millions, except for percentages)</i>						
Singapore ⁽¹⁾	1,748	59.1	3,521	71.0	2,091	1,653	58.6
Malaysia ⁽¹⁾	773	26.2	815	16.4	916	724	25.7
Indonesia	125	4.3	159	3.2	182	144	5.1
Greater China	195	6.6	320	6.4	208	164	5.8
Other Asia Pacific	92	3.1	94	1.9	87	69	2.5
Rest of the World	22	0.7	53	1.1	83	66	2.3
Total	2,955	100.0	4,962	100.0	3,567	2,820	100.0

Note:

(1) Comparatives for the financial year ended December 31, 2011, have been restated to conform to current year's presentation.

See Note 38.2 of the notes to our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 for further details of our geographical segments.

Net Interest Income and Net Interest Margin

The following table sets forth the principal components, analyzed by major source, of interest income and interest expense for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
<i>(in millions, except for percentages)</i>				
Interest income:				
Loans to non-bank customers	3,675	4,173	4,492	3,552
Placements with and loans to banks . . .	850	962	772	610
Other earning assets	795	833	910	719
Total interest income	5,320	5,968	6,174	4,881
Interest expense:				
Deposits of non-bank customers	(1,444)	(1,715)	(1,770)	(1,399)
Deposits and balances of banks	(187)	(189)	(178)	(141)
Other borrowings	(279)	(316)	(343)	(271)
Total interest expenses	(1,910)	(2,220)	(2,291)	(1,811)
Net interest income	3,410	3,748	3,883	3,070
Average interest yield ⁽¹⁾	2.91%	2.82%	2.60%	
Average interest cost ⁽²⁾	1.12%	1.13%	1.03%	
Net interest margin ⁽³⁾	1.86%	1.77%	1.64%	
Net interest spread ⁽⁴⁾	1.79%	1.69%	1.57%	
Average interest earning assets.	182,930	211,743	237,432	187,723
Average interest bearing liabilities.	170,112	197,044	222,109	175,608

Notes:

- (1) Total interest income divided by average interest earning assets.
- (2) Total interest expense divided by average interest bearing liabilities.
- (3) Net interest income as a percentage of average interest earning assets.
- (4) Difference between average interest yield on interest earning assets and average interest cost on interest bearing liabilities.

Interest Income

2013 compared to 2012. Our total interest income increased 3.5% to S\$6,174 million (U.S.\$4,881 million) in 2013 from S\$5,968 million in 2012, principally as a result of an increase in interest income from loans to non-bank customers but was partially offset by a decrease in interest income from placements with and loans to banks. Interest income from loans to non-bank customers increased 7.6% from S\$4,173 million in 2012 to S\$4,492 million (U.S.\$3,552 million) in 2013, primarily as a result of broad-based growth in Singapore and key overseas markets, which was led by trade finance and loans to the housing and building and construction sectors. Interest income from placements with and loans to banks decreased 19.8% to S\$772 million (U.S.\$610

million) in 2013 from S\$962 million in 2012, driven by the persistently low interest rate environment. Our average yield on interest earning assets decreased from 2.82% in 2012 to 2.60% in 2013.

2012 compared to 2011. Our total interest income increased 12.2% to S\$5,968 million in 2012 from S\$5,320 million 2011, principally as a result of increases in interest income from loans to non-bank customers and from placements with and loans to banks. Interest income from loans to non-bank customers increased 13.6% to S\$4,173 million in 2012 from S\$3,675 million in 2011, primarily resulting from the 14.6% growth in average non-bank loan balances across various industry sectors in Singapore and key overseas markets with the largest contributions coming from housing loans, building and construction industry loans and loans to financial institutions, investment and holding companies. Our average yield on interest earning assets was 2.82% in 2012, compared with an average yield of 2.91% in 2011.

See also “Volume and Rate Analysis” below for further details of changes in our interest income by changes in volume and rate.

Interest Expense

2013 compared to 2012. Our total interest expense increased 3.2% to S\$2,291 million (U.S.\$1,811 million) in 2013 from S\$2,220 million in 2012, principally as a result of the increase in non-bank customer deposits. Interest paid on non-bank customer deposits increased S\$55 million, or 3.2%, to S\$1,770 million (U.S.\$1,399 million), and interest paid on deposits and balances with banks decreased S\$11 million, or 5.8%, to S\$178 million (U.S.\$141 million) in 2013. The average interest cost on our interest bearing liabilities was 1.03% in 2013, compared with 1.13% in 2012.

2012 compared to 2011. Our total interest expense increased 16.2% to S\$2,220 million in 2012 from S\$1,910 million in 2011, principally as a result of higher interest expenses attributable to growth in deposits of non-bank customers. Interest expenses on deposits of non-bank customers increased 18.8% to S\$1,715 million in 2012 from S\$1,444 million in 2011, primarily as a result of deposits growth and an increase in average interest rates. The average interest cost on our interest bearing liabilities remained relatively stable increasing slightly to 1.13% in 2012, compared with 1.12% in 2011.

See also “Volume and Rate Analysis” below for further details of changes in our interest expense by changes in volume and rate.

Net Interest Income

2013 compared to 2012. Our net interest income increased 3.6% to S\$3,883 million (U.S.\$3,070 million) in 2013 from S\$3,748 million in 2012. The increase was principally due to a 12.1% increase in average interest earning assets to S\$237,432 million (U.S.\$187,723 million) in 2013 from S\$211,743 million in 2012, driven mainly by broad-based loan growth. The positive impact of the higher volumes was partially offset by a decline in net interest margin to 1.64% in 2013 from 1.77% in 2012.

2012 compared to 2011. Our net interest income increased 9.9% to S\$3,748 million in 2012 from S\$3,410 million in 2011. The increase was principally due to 15.8% increase in average interest earning assets to S\$211,743 million in 2012 from S\$182,930 million in 2011, driven mainly by strong loan growth. The positive impact of the higher volumes was partially offset by a narrowing in net interest margin to 1.77% in 2012 from 1.86% in 2011.

Net Interest Margin

2013 compared to 2012. Our net interest margin decreased to 1.64% in 2013 from 1.77% in 2012, reflecting the persistently low interest rate environment and the re-pricing of existing Singapore mortgage loans in response to market competition. The decrease in net interest margin was partially mitigated by an improvement in corporate and commercial loan spreads and lower costs from deposit funding.

2012 compared to 2011. Our net interest margin decreased to 1.77% in 2012 from 1.86% in 2011, as a result of margin compression which was largely attributable to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition.

Volume and Rate Analysis

The following table allocates changes in interest income and interest expense between changes in volume and changes in rate for the periods shown. Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "Net change". Volume/rate variance is prorated according to changes in volume and rate.

	Year ended December 31,					
	2012 over 2011			2013 over 2012		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
S\$	S\$	S\$	S\$	S\$	S\$	
						<i>(in millions)</i>
Interest Income:						
Loans and advances to non-bank customers	540	(52)	488	584	(254)	330
Placements with and loans to banks	192	(82)	110	64	(251)	(187)
Other interest earning assets	99	(64)	35	93	(13)	80
Total	831	(198)	633	741	(518)	223
Interest expense:						
Deposits of non-bank customers	234	34	268	196	(137)	59
Deposits and balances of banks	(8)	10	2	24	(34)	(10)
Other borrowings	146	(111)	35	77	(48)	29
Total	372	(67)	305	297	(219)	78
Impact on net interest income			328			145
Due to change in number of days			10			(10)
Net interest income			338			135

Non-Interest Income

The following table sets forth the principal components of non-interest income for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions, except for percentages)</i>			
Non-interest income:				
Fees and commissions (net)	1,137	1,198	1,355	1,071
Profit from life assurance	383	692	599	474
Premium income from general insurance	125	146	157	124
Dividends	88	88	75	59
Rental income	76	72	67	54
Other income	402	701	485	383
Divestment gain	39	1,316	–	–
Total non-interest income	2,250	4,213	2,738	2,165
Non-interest income/Total income	39.8%	52.9%	41.4%	

2013 compared to 2012. Our total non-interest income decreased 35.0% to S\$2,738 million (U.S.\$2,165 million) in 2013 from S\$4,213 million in 2012. Excluding gains from the divestment of non-core assets of S\$1,316 million recorded in 2012 (primarily resulting from the divestment of Fraser and Neave and Asia Pacific Breweries), our core non-interest income decreased by 5.5%, as contributions from the sustained growth in wealth management income, loan related, fund management and credit card income were off-set by lower trading income and profit from life assurance.

2012 compared to 2011. Our total non-interest income increased 87.3% to S\$4,213 million in 2012 from S\$2,250 million in 2011, principally from gains from the divestment of non-core assets (primarily resulting from the divestment of Fraser and Neave and Asia Pacific Breweries), higher trading income, growth in wealth management income, loan-related and trade-related fees, plus higher profit from life assurance, partially offset by a decrease in service charges and fund management and brokerage fees.

Fees and Commissions (Net)

The following table sets forth our fees and commissions net of expenses, broken down by major sources, for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions, except for percentages)</i>			
Brokerage	69	60	68	54
Credit card	48	51	65	51
Fund management	101	86	100	79
Guarantees	21	18	18	14
Investment banking	95	91	92	73
Loan-related	216	251	284	225
Service charges	94	78	79	62
Trade-related and remittances	208	213	213	168
Wealth management	252	322	412	326
Others	33	28	24	19
Total fees commissions (net)	1,137	1,198	1,355	1,071
Fees and commissions/Total income . . .	20.1%	15.1%	20.5%	

2013 compared to 2012. Our total net fees and commissions increased 13.1% to S\$1,355 million (U.S.\$1,071 million) in 2013 from S\$1,198 million in 2012, principally as a result of an increase in wealth management fee income, loan-related, fund management and credit card fee income. Wealth Management fees increased 28.0% to S\$412 million (U.S.\$326 million) in 2013 from S\$322 million in 2012.

2012 compared to 2011. Our total net fees and commissions increased 5.4% to S\$1,198 million in 2012 from S\$1,137 million in 2011, principally as a result of growth in wealth management income and loan-related and trade-related fees, partially offset by a decrease in service charges and fund management and brokerage fees.

Profit from Life Assurance

The following table sets forth our income, expenses and profit from life assurance for the periods indicated. Profit is stated on a net of tax basis for the Singapore Non-Participating Fund and Investment Linked Fund.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
			<i>(in millions)</i>	
Income:				
Annual	4,553	4,960	5,532	4,374
Single	1,658	1,408	2,193	1,734
Gross premiums	6,211	6,368	7,725	6,108
Reinsurances	(105)	(114)	(125)	(99)
Premium income (net)	6,106	6,254	7,600	6,009
Investment income (net)	1,676	4,246	2,395	1,894
Total income	7,782	10,500	9,995	7,903
Expenses:				
Gross claims, surrenders and annuities	(4,580)	(5,437)	(6,213)	(4,912)
Claims, surrenders and annuities recovered from reinsurers	49	61	78	62
Net claims, surrenders and annuities	(4,531)	(5,376)	(6,135)	(4,850)
Change in life assurance fund contract liabilities	(1,698)	(3,066)	(1,844)	(1,458)
Commission and agency expenses	(664)	(707)	(775)	(613)
Depreciation property, plant and equipment	(45)	(47)	(55)	(44)
Other expenses	(309)	(344)	(353)	(279)
Total expenses	(7,247)	(9,540)	(9,162)	(7,244)
Surplus from operations	535	960	833	659
Share of results of associates and joint ventures	(3)	40	(6)	(5)
Income tax expense	(149)	(308)	(228)	(180)
Profit from life assurance	383	692	599	474

For the purposes of analyzing the profit from its life assurance business, Great Eastern Holdings' primary focus is the review of each fund into which net premiums are invested, as provided in the table below.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
				<i>(in millions)</i>
Participating fund	122	144	146	115
Non-participating fund	134	423	279	221
Investment-linked fund	127	125	174	138
Profit from life assurance	383	692	599	474

2013 compared to 2012. Our total income from life assurance decreased 4.8% to S\$9,995 million (U.S.\$7,903 million) in 2013 from S\$10,500 million in 2012, principally as a result of the decrease in investment income, partially offset by an increase in gross premiums. Our net investment income decreased 43.6% to S\$2,395 million (U.S.\$1,894 million) in 2013 from S\$4,246 million in 2012, principally as a result of the lower investment performance of Great Eastern Holdings' Non-Participating Fund. Our gross premiums increased 21.3% to S\$7,725 million (U.S.\$6,108 million) in 2013 from S\$6,368 million in 2012, driven by sustained sales momentum in regular and single premium products. Our total expenses from life assurance decreased 4.0% to S\$9,162 million (U.S.\$7,244 million) in 2013 from S\$9,540 million in 2012, principally attributable to a decrease in life assurance fund contract liabilities. As a result, our profit from life assurance decreased 13.4% to S\$599 million (U.S.\$474 million) in 2013 from S\$692 million in 2012.

The decrease in profit from life assurance was principally as a result of lower contributions from Great Eastern Holdings' Non-Participating Fund, and partially offset by an increase from the Investment-Linked Fund.

2012 compared to 2011. Our total income from life assurance increased by 34.9% to S\$10,500 million in 2012 from S\$7,782 million in 2011, principally as a result of an increase in net investment income. Our net investment income increased 153.3% to S\$4,246 million in 2012 from S\$1,676 million in 2011, principally as market conditions were better than in 2011 with the narrowing credit and swap spreads as well as increases in equity prices. Our net premium income increased by 2.4% to S\$6,254 million in 2012 from S\$6,106 million in 2011, principally from increased demand for regular premium products. Our total expenses from life assurance increased 31.6% to S\$9,540 million in 2012 from S\$7,247 million in 2011, principally attributable to higher claims and an increase in life assurance fund contract liabilities. As a result, our profit from life assurance increased 80.7% to S\$692 million in 2012 from S\$383 million in 2011.

The higher profit from life assurance for the period was principally the result of a 215.7% increase in profit from Great Eastern Holdings' Non-Participating Fund.

Premium Income from General Insurance

Our premium income from general insurance was S\$157 million (U.S.\$124 million) in 2013, a 7.5% increase from S\$146 million in 2012 which was a 16.8% increase from S\$125 million in 2011. The increase in 2013 was largely due to higher sales of general insurance products.

Dividends

Our dividends decreased by 14.8% to S\$75 million (U.S.\$59 million) in 2013 from S\$88 million in 2012. Dividends were lower as a result of the divestment of non-core equity investments in 2012 (primarily resulting from the divestment of Fraser and Neave and Asia Pacific Breweries). Our dividends remained unchanged at S\$88 million in each of 2012 and 2011.

Rental Income

Our rental income decreased 6.9% to S\$67 million (U.S.\$54 million) in 2013 from S\$72 million in 2012. Our rental income decreased 5.3% to S\$72 million in 2012 from S\$76 million in 2011. Movements in our rental income are largely attributable to changes in rental rates and to the utilization rates of our properties.

Other Income

The following table sets forth our other income for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	(in millions)			
Foreign exchange ⁽¹⁾	372	258	357	282
Hedging activities ⁽²⁾ :				
Hedging instruments	(130)	50	70	55
Hedged items	133	(52)	(70)	(55)
Fair value hedges	3	(2)	#	#
Interest rate and other derivatives ⁽³⁾	(199)	29	(41)	(32)
Trading securities	41	227	(51)	(40)
Others	—	3	(3)	(2)
Net trading income	217	515	262	208
Disposal of securities classified as available-for-sale	120	1,351	132	104
Disposal of securities classified as loans and receivables	—	#	#	#
Disposal/liquidation of subsidiaries and associates	1	—	(3)	(2)
Disposal of plant and equipment	—	#	(2)	(2)
Disposal of property	43	81	28	22
Computer-related services income	30	35	34	27
Property-related income	10	9	8	6
Others	20	26	26	20
Total other income	441	2,017	485	383

Notes:

- (1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
- (2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "hedged items".
- (3) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.
- (4) # represents amounts less than S\$0.5 million.

2013 compared to 2012. Our total other income decreased 75.9% to S\$485 million (U.S.\$383 million) in 2013 from S\$2,017 million in 2012. Excluding gains from the divestment of non-core investments of \$1,316 million recorded in 2012 (primarily resulting from the divestment of Fraser and Neave and Asia Pacific Breweries), our total other income decreased 30.8%, principally as a result of lower net trading income, partially offset by higher gains from the sale of investment securities.

2012 compared to 2011. Our total other income increased 357.4% to S\$2,017 million in 2012 from S\$441 million in 2011, principally as a result of gains from the divestment of non-core investments of \$1,316 million and higher trading income from securities and derivatives trading.

Operating Expenses

The following table shows a breakdown of our operating expenses for the periods indicated.

	Year ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.
	<i>(in millions)</i>			
Staff costs:				
Salaries and other costs	1,308	1,486	1,546	1,222
Share-based expenses	10	10	13	10
Contribution to defined contribution plans	100	124	126	100
Directors' emoluments	30	30	30	24
Total staff costs	1,448	1,650	1,715	1,356
Other operating expenses:				
Property, plant and equipment net	451	491	530	419
Auditors' remuneration	4	4	4	3
Other fees	1	2	2	2
General insurance claims	58	75	62	49
Others	468	473	471	372
Total other operating expenses	982	1,045	1,069	845
Total operating expenses	2,430	2,695	2,784	2,201

2013 compared to 2012. Our total operating expenses increased 3.3% to S\$2,784 million (U.S.\$2,201 million) in 2013 from S\$2,695 million in 2012, principally as a result of higher staff costs and property and equipment-related expenses. Staff costs increased 4.0% to S\$1,715 million (U.S.\$1,356 million) in 2013 from S\$1,650 million in 2012, principally as a result of the 3% increase in headcount to support our expansion in Singapore and key overseas markets, annual salary increments and higher incentive compensation linked to business growth volume. The average number of staff increased from 23,917 for 2012 to 25,030 for 2013.

2012 compared to 2011. Our total operating expenses increased 10.9% to S\$2,695 million in 2012 from S\$2,430 million in 2011, primarily as a result of higher staff costs and property and equipment-related expenses. Staff costs rose reflecting the impact of an 8% increase in headcount to support business growth in Singapore and overseas markets. The increase in staff costs was also attributable to higher base salaries and incentive compensation associated with stronger business volumes.

Allowances for Loans and Impairment for Other Assets

The following table shows a breakdown of our allowances for loans and impairment for other assets for the periods indicated.

	Year Ended December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
			<i>(in millions)</i>	
Specific allowances for loans	79	115	81	64
Portfolio allowances for loans	127	148	183	145
Impairment charge/(write-back) for available-for-sale securities	–	5	4	3
Write-back for collateralized debt obligations (CDOs)	(1)	–	–	–
(Write-back)/Impairment charge for other assets	16	3	(2)	(2)
Net allowances for loans and impairment for other assets	221	271	266	210

2013 compared to 2012. Our net allowances for loans and impairment for other assets decreased 1.8% to S\$266 million (U.S.\$210 million) in 2013 from S\$271 million in 2012, principally as a result of lower specific allowances, partially offset by an increase in portfolio allowances. We increased portfolio allowances for loans by 23.6% to S\$183 million (U.S.\$145 million) in 2013 from S\$148 million in 2012 in line with strong loan growth. Specific allowances for loans decreased 29.6% to S\$81 million (U.S.\$64 million) in 2013 from S\$115 million in 2012 principally as a result of higher write-backs and lower impairment charges.

2012 compared to 2011. Our net allowances for loans and impairment for other assets increased 22.6% to S\$271 million in 2012 from S\$221 million in 2011, principally as a result of an increase in specific allowances for loans, particularly in Singapore and an increase in portfolio allowances.

Profit Before Income Tax

Our profit before income tax decreased 28.1% to S\$3,567 million (U.S.\$2,820 million) in 2013 from S\$4,962 million in 2012. Our profit before income tax increased 67.9% to S\$4,962 million in 2012 from S\$2,955 million in 2011.

Income Tax Expense

Our income tax expense decreased 14.6% to S\$597 million (U.S.\$472 million) in 2013 from S\$699 million in 2012. Our income tax expense increased 46.8% to S\$699 million in 2012 from S\$476 million in 2011.

Profit for the Year

Our profit decreased 30.3% to S\$2,970 million (U.S.\$2,348 million) in 2013 from S\$4,263 million in 2012. Our profit for the year increased 72.0% to S\$4,263 million in 2012 from S\$2,479 million in 2011.

Financial Condition

Total Assets

As of December 31, 2013, we had total assets of S\$338,448 million (U.S.\$267,590 million), a 14.4% increase as compared to total assets of S\$295,943 million as of December 31, 2012. As of December 31, 2012, we had total assets of S\$295,943 million, a 6.5% increase as compared to total assets of S\$277,758 million as of December 31, 2011. The increase in total assets in 2013 was primarily due to strong growth in loans and bills receivable, the increase in placements with and loans to banks and our investments in equity and debt securities. The increase in total assets in 2012 was primarily due to higher loans and bills receivable and cash and placements with central banks.

Loans and Bills Receivable

As of December 31, 2013, we had net loans and bills receivable (net of cumulative specific and portfolio allowances) of S\$167,854 million (U.S.\$132,712 million), a 17.9% increase as compared to net loans and bills receivable of S\$142,376 million as of December 31, 2012. As of December 31, 2012, we had net loans and bills receivable of S\$142,376 million, a 6.6% increase as compared to net loans and bills receivable of S\$133,557 million as of December 31, 2011.

The increase in loans and bills receivable in 2013 was primarily due to an increase in trade-related financing, and an increase in syndicated and term loans and housing loans. The increase in loans and bills receivable in 2012 was driven by growth in syndicated and term loans and housing loans. By geography, the growth was broadly-based in 2012 and 2013.

Placements With and Loans to Banks

As of December 31, 2013, we had placements with and loans to banks of S\$39,573 million (U.S.\$31,288 million), a 32.7% increase as compared to S\$29,811 million as of December 31, 2012. As of December 31, 2012, we had placements with and loans to banks of S\$29,811 million, a 4.2% increase compared with S\$28,615 million as of December 31, 2011. Movements in our interbank balances reflect the net result of our asset-liability management strategy, the deployment of excess funds as well as our interbank money market activities to capitalize on the interest rate yield curve.

Other Income Earning Assets

Other income earning assets include principally debt and equity securities, cash and placements with central banks and Singapore Government treasury bills and securities. As of December 31, 2013, we had debt and equity securities of S\$19,602 million (U.S.\$15,498 million), a 31.3% increase as compared to debt and equity securities of S\$14,932 million as of December 31, 2012. As of December 31, 2012, we had debt and equity securities of S\$14,932 million, which was a 1.0% decrease as compared to debt and equity securities of S\$15,081 million as of December 31, 2011. See Note 30 of our notes to our audited consolidated financial statements for the year ended December 31, 2013 for further information on our debt and equity securities.

As of December 31, 2013, we had cash and placements with central banks of S\$19,341 million (U.S.\$15,292 million), an 18.0% increase as compared to cash and placements with central banks of S\$16,397 million as of December 31, 2012. As of December 31, 2012, we had cash and placements with central banks of S\$16,397 million, which was a 27.1% increase as compared to cash and placements with central banks of S\$12,897 million as of December 31, 2011.

As of December 31, 2013, 2012 and 2011, we had holdings in Singapore Government treasury bills and securities of S\$11,718 million (U.S.\$9,265 million) and S\$13,141 million and S\$13,250 million, respectively. The decrease in 2013 compared to 2012 was mainly a result of a reduction in our holdings of Singapore Government treasury bills and securities available-for-sale, at fair value.

Total Liabilities

As of December 31, 2013, we had total liabilities of S\$310,369 million (U.S.\$245,390 million), a 16.1% increase as compared to total liabilities of S\$267,242 million as of December 31, 2012. As of December 31, 2012, we had total liabilities of S\$267,242 million, a 5.9% increase as compared to total liabilities of S\$252,368 million as of December 31, 2011. The increase in total liabilities in 2013 was primarily due to an increase in deposits of non-bank customers and debt issued, partially offset by a decrease in deposits and balances of banks. The increase in total liabilities in 2012 was primarily due to an increase in deposits of non-bank customers and deposits and balances of banks, partially offset by a decrease in debt issued.

Deposits of Non-Bank Customers

As of December 31, 2013, we had deposits of non-bank customers of S\$195,974 million (U.S.\$154,945 million), a 18.7% increase as compared to deposits of non-bank customers of S\$165,139 million as of December 31, 2012. As of December 31, 2012, we had deposits of non-bank customers of S\$165,139 million, a 6.8% increase as compared to deposits of non-bank customers of S\$154,555 million as of December 31, 2011. The increase in deposits of non-bank customers in 2013 was primarily due to an increase in term deposits and current account deposits and certificate of deposits issued. The increase in deposits of non-bank customers in 2012 was primarily due to growth in deposits held in current accounts, savings deposits and certificates of deposits issued.

Deposits and Balances of Banks

As of December 31, 2013, we had deposits and balances of banks of S\$21,549 million (U.S.\$17,037 million), a 16.0% decrease as compared to deposits and balances of banks of S\$25,656 million as of December 31, 2012. As of December 31, 2012, we had deposits and balances of banks of S\$25,656 million, an 18.5% increase compared with S\$21,653 million as of December 31, 2011. Movements in our interbank balances largely reflect the result of our asset-liability management strategy, as well as our interbank money market activities to capitalize on the interest rate yield curve.

Debt Issued

We actively manage our liquidity and funding positions to diversify our funding sources, and this would include debt issuance. Debt issued included various series of subordinated notes, fixed and floating rate notes, commercial paper and structured notes. See Note 21 of the notes to our audited consolidated financial statements for the year ended December 31, 2013 for further details of the debts that we have issued. As of December 31, 2013, we had debt issued of S\$26,702 million (U.S.\$21,112 million), a 133.7% increase as compared to debt issued of

S\$11,424 million as of December 31, 2012. As of December 31, 2012, we had debt issued of S\$11,424 million, a 12.5% decrease as compared to debt issued of S\$13,063 million as of December 31, 2011.

In August 2004, we established a Euro Commercial Paper Program, which was upsized from U.S.\$5.0 billion to U.S.\$10.0 billion in August 2012 and in August 2011, we established a U.S. Commercial Paper Program, which was upsized from U.S.\$5.0 billion to U.S.\$10.0 billion in April 2012. As of December 31, 2013, we had an aggregate of S\$17,089 million (U.S.\$13,511 million) of commercial papers outstanding.

Off-Balance Sheet Items

Contingent Liabilities

Our contingent liabilities consist of acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by us to pay on receipt of bills of exchange drawn. We issue guarantees on the performance of customers to third parties. Documentary credits commit us to make payments to third parties on presentation of stipulated documents. As of December 31, 2013, we had contingent liabilities of S\$12,197 million (U.S.\$9,643 million), a 34.0% increase as compared to contingent liabilities of S\$9,100 million as of December 31, 2012. As of December 31, 2012, we had contingent liabilities of S\$9,100 million, which was a decrease of 12.0% from contingent liabilities of S\$10,345 million as of December 31, 2011. See Note 43 of the notes to our audited consolidated financial statements for the year ended December 31, 2013 for further details of our contingent liabilities.

Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by us subject to notice requirements. As of December 31, 2013, we had commitments of S\$77,043 million (U.S.\$60,913 million), a 14.9% increase from commitments of S\$67,040 million as of December 31, 2012. As of December 31, 2012, we had commitments of S\$67,040 million, which was an increase of 3.3% from commitments of S\$64,892 million as of December 31, 2011. See Note 44 of the notes to our audited consolidated financial statements for the year ended December 31, 2013 for further details of our commitments.

Derivative Financial Instruments

We hold derivative financial instruments for both trading and hedging purposes. As of December 31, 2013, we had derivative financial instruments with contractual or underlying principal amounts of S\$523,979 million (U.S.\$414,278 million), which was a 6.6% decrease from S\$560,734 million as of December 31, 2012. As of December 31, 2012, we had derivative financial instruments with contractual or underlying principal amounts of S\$560,734 million, which was an increase of 2.8% from derivative financial instruments of S\$545,502 million as of December 31, 2011.

The contractual or underlying principal amounts of our derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values are provided in Note 18 to our audited consolidated financial statements for the year ended December 31, 2013.

Capital Management

Capital Policy

The key objective of our capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, we target a minimum credit rating of "A" and ensure that our capital adequacy ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. We actively manage our capital composition to achieve an efficient mix of different capital instruments in order to optimize our overall cost of capital.

Capital Initiatives

We undertook the following key capital initiatives in 2013, 2012 and 2011:

Tier 1 Capital

In 2013:

- (i) Redemption of S\$1 billion Class B preference shares by OCBC Bank on July 29, 2013; and
- (ii) Redemption of S\$500 million Class E preference shares by OCBC Bank on January 28, 2013.

In 2012:

- (i) Issue of S\$1 billion non-cumulative non-convertible Class M preference shares by OCBC Bank on July 17, 2012.

In 2011:

- (i) OCBC Bank issued 50.7 million new ordinary shares on October 7, 2011, representing S\$409 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the interim dividend for the financial year ended December 31, 2011; and
- (ii) OCBC Bank issued 49.3 million new ordinary shares on June 13, 2011, representing S\$416 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the final dividend for the year ended December 31, 2010.

Tier 2 Capital

In 2013:

- (i) Redemption of MYR600 million subordinated bonds by OCBC Bank on June 6, 2013; and
- (ii) Redemption of MYR1 billion subordinated bonds by OCBC Bank on March 27, 2013.

In 2012:

- (i) Redemption of S\$225 million subordinated notes by OCBC Bank on November 28, 2012;
- (ii) Issue of U.S.\$1 billion subordinated notes by OCBC Bank on September 11, 2012;
- (iii) Redemption of MYR400 million subordinated bonds by OCBC Malaysia on November 30, 2012; and
- (iv) Issue of MYR600 million subordinated bonds by OCBC Malaysia on August 15, 2012.

Others

In 2013:

- (i) Rights issue of IDR3.5 trillion completed by OCBC NISP on November 25, 2013; and
- (ii) Redemption of IDR600 billion subordinated bonds by OCBC NISP on March 12, 2013.

In 2012:

- (i) Rights issue of IDR1.5 trillion completed by OCBC NISP on June 15, 2012.

Dividends

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. Our target range for dividend payout is 40% to 50% of our core net profit. Core net profit is generally calculated as profit attributable to equity holders less exceptional gains from divestments of non-core assets.

We re-implemented our Scrip Dividend Scheme in respect of our dividend payments commencing from the final dividend for the year ended December 31, 2008. The scheme allows shareholders to opt to receive OCBC Bank shares instead of a cash dividend. In the six dividend payments up to and including the interim dividend for the year ended December 31, 2011, the proportion of shareholdings which had opted for OCBC Bank shares instead of cash dividend averaged approximately 80%. The scheme was not applied to the final dividend for the year ended December 31, 2011, the interim and final dividends for the year ended December 31, 2012 and the interim dividend for the year ended December 31, 2013. The Scrip Dividend Scheme will be applicable to the final dividend for the year ended December 31, 2013.

Share Buyback

Shares purchased under the share buyback program are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently cancelled, sold or used to meet delivery obligations under employee share schemes.

In July 2012, we commenced repurchases of our ordinary shares under the fourth S\$500 million share buyback program to meet delivery obligations under our employee share programs. In 2012, we purchased 18.2 million ordinary shares for S\$162 million. In 2013, we purchased 14.5 million ordinary shares for S\$150 million.

Capital Adequacy

We are required by the MAS to maintain minimum CET1 CAR, Tier 1 CAR and Total CAR of 4.5%, 6.0% and 10.0%, respectively. The table below shows the composition of our regulatory capital and capital adequacy ratios at the consolidated Group level. The capital adequacy ratios were determined in accordance with the requirements of MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (“**MAS Notice 637**”), which is based on the Basel III framework. For further information on the Basel III Capital Standards, see “Supervision and Regulation – Singapore Banking Industry – The Regulatory Environment” and “Risk Factors – Risks Relating to Our Business – We may face pressure on our capital and liquidity positions due to Basel III, which could constrain our operations”.

The capital adequacy ratios as of December 31, 2013 are computed based on MAS' transitional Basel III rules, which took effect on January 1, 2013. The capital adequacy ratios as of December 31, 2012 and December 31, 2011 were prepared under Basel II capital standards and are thus not directly comparable to the ratios as of December 31, 2013.

	As of December 31,			
	2011	2012	2013	
	S\$	S\$	S\$	U.S.\$
	<i>(in millions, except percentages)</i>			
Tier 1 Capital:				
Ordinary shares	7,127	7,057	8,052	6,366
Disclosed reserves/others	13,140	15,770	15,838	12,522
Regulatory adjustments	N/A	N/A	(2,006)	(1,586)
Common Equity Tier 1 Capital	N/A	N/A	21,884	17,302
Additional Tier 1 capital	3,958	4,955	3,458	2,734
Regulatory adjustments	(5,613)	(6,191)	(3,458)	(2,734)
Eligible Tier 1 capital	18,612	21,591	21,884	17,302
Tier 2 Capital	3,483	4,586	4,191	3,314
Revaluation surplus on available-for-sale equity securities	361	236	-	-
Regulatory adjustments	(2,270)	(2,304)	(1,536)	(1,214)
Total Eligible Capital	20,186	24,109	24,539	19,402
Risk Weighted Assets:				
Credit	104,546	106,169	124,648	98,552
Market	15,817	14,431	15,891	12,564
Operational.	8,144	9,047	9,786	7,737
Total risk weighted assets	128,507	129,647	150,325	118,853
Core Tier 1 ratio ⁽¹⁾	11.4%	12.8%	N/A	
CET1 CAR ⁽²⁾	N/A	N/A	14.5%	
Tier 1 CAR	14.4%	16.6%	14.5%	
Total CAR.	15.7%	18.5%	16.3%	

Notes:

(1) Core Tier 1 ratio is the ratio of Eligible Tier 1 capital less preference shares and innovative Tier 1 capital instruments, to total risk weighted assets.

(2) CET1 CAR is the ratio of CET1 Capital to total risk weighted assets.

Great Eastern Holdings' insurance subsidiaries are not consolidated for the computation of the above capital adequacy ratios, as per the requirements of MAS Notice 637. Capital investments in these insurance subsidiaries are deducted from our capital, and their assets are excluded from the computation of our risk weighted assets.

Great Eastern Holdings' insurance subsidiaries subject to the capital adequacy requirements of the jurisdiction in which they operate. Great Eastern Holdings disclosed that the capital adequacy ratios for its insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% in the two countries, respectively.

Performance Measures

The following table sets forth the return on our equity and other performance measures for the periods indicated.

	Year ended December 31,		
	2011	2012	2013
Profit attributable to equity holders of the Bank (S\$ in millions)	2,312	3,993	2,768
Core profit attributable to equity holders of the Bank (S\$ in millions)	2,280	2,825	2,768
Return on equity ⁽¹⁾	11.1%	12.5%	11.6%
Return on assets ⁽²⁾	1.09%	1.19%	1.05%
Earnings per share for the period basic (Singapore cents)	65.8	113.1	78.0
Earnings per share for the period diluted (Singapore cents)	65.6	112.9	77.9
Aggregate declared dividends on ordinary shares (S\$ in millions) ⁽³⁾	1,024	1,134	1,167
Declared dividends per ordinary share (Singapore cents) ⁽³⁾	30.0	33.0	34.0
Net interest margin	1.86%	1.77%	1.64%

Notes:

- (1) Calculated based on core profit less preference share dividends. Equity refers to ordinary shareholders' equity which excludes preference shares and non-controlling interests.
- (2) Calculated based on core profit. Assets exclude life assurance fund investment assets.
- (3) Dividends as declared by OCBC Bank. Dividends are aggregate amounts in respect of each financial year, which include interim dividends and final dividends for such year. Included in the aggregate declared dividends for the financial year ended December 31, 2013 is the proposed final dividend amounting to S\$583.6 million. The proposed final dividend will be approved by shareholders at the Annual General Meeting to be held on April 24, 2014 and the actual amount to be paid will be included in the statement of changes in equity for the financial year ended December 31, 2014.

MANAGEMENT

OCBC Bank is governed and supervised by its Board of Directors which, as of March 31, 2014, consists of 14 members. The full Board meets at least four times a year, but may meet more often depending on the circumstances. In addition, there are five Board Committees – the Executive, Nominating, Audit, Remuneration and Risk Management Committees. Our articles of association (the “**Articles**”) provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors are required to be approved by the MAS.

Board of Directors

The following table sets forth the members of the Board of Directors of OCBC Bank as of March 31, 2014:

Name	Age	Position
Dr. Cheong Choong Kong	72	Chairman
Mr. Bobby Chin	62	Director
Mr. David Conner	65	Director
Mrs. Fang Ai Lian	64	Director
Mr. Lai Teck Poh	69	Director
Mr. Lee Seng Wee	83	Director
Dr. Lee Tih Shih	50	Director
Dato’ Ooi Sang Kuang	66	Director
Mr. Quah Wee Ghee	53	Director
Mr. Pramukti Surjaudaja	51	Director
Mr. Tan Ngiap Joo	68	Director
Dr. Teh Kok Peng	66	Director
Mr. Samuel N. Tsien	59	Director
Mr. Wee Joo Yeow	66	Director

Dr. Cheong Choong Kong was first appointed to the Board on July 1, 1999 and last re-appointed as a Director on April 25, 2013. On July 1, 2003, he was appointed Chairman, after having served as Vice Chairman from March 26, 2002 to June 30, 2003. Dr. Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is a Director of several companies, including Great Eastern Holdings. Dr. Cheong holds a Bachelor of Science with First Class Honors in Mathematics from the University of Adelaide and a Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University.

Mr. Bobby Chin was first appointed to the Board on October 1, 2005 and last re-elected as a Director on April 25, 2012. He is presently a Member of the Council of Presidential Advisers of the Republic of Singapore and Deputy Chairman of NTUC Enterprise Co-Operative Ltd. He serves on the board of several listed companies, including Singapore Telecommunications Ltd and Sembcorp Industries Ltd. He is also a Board Member of Singapore Labour Foundation. Mr. Chin was formerly the Managing Partner of KPMG Singapore, from which he retired in 2005 after a 30-year career. Mr. Chin holds a Bachelor of Accountancy from the University of Singapore, is an Associate Member of the Institute of Chartered Accountants in England and Wales, and a Fellow Chartered Accountant of Singapore.

Mr. David Conner was first appointed to the Board on April 15, 2002 and last re-elected as a Director on April 25, 2013. He was Chief Executive Officer of OCBC Bank from April 15, 2002 to April 14, 2012. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently a Member of the Advisory Board of Lee Kong Chian School of Business, the Board of Trustees of the Singapore University of Technology and Design, and Washington University in St. Louis. He serves as a Council Member of the Singapore Institute of Directors and Singapore Symphony Orchestra. Mr. Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University.

Mrs. Fang Ai Lian was first appointed to the Board on November 1, 2008 and last re-elected as a Director on April 25, 2012. She is presently the Chairman of Great Eastern Holdings and a Director of several companies, including Singapore Telecommunications Ltd, Metro Holdings Ltd, Banyan Tree Holdings Ltd and MediaCorp Pte Ltd. She also serves as a Member of several institutions, including the Board of Trustees of the Singapore University of Technology and Design. Mrs. Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career. She is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Chartered Accountant of Singapore, and a Member of the Malaysian Institute of Certified Public Accountants.

Mr. Lai Teck Poh was appointed to the Board on June 1, 2010 and elected as a Director on April 15, 2011. He served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations and Head of Risk Management. He was Head, Group Audit prior to retiring in April 2010. Before joining OCBC Bank, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had served stints with Citibank N.A. in Jakarta, New York and London. He is presently a Director of AV Jennings Ltd, OCBC Malaysia and OCBC Al-Amin, and a Commissioner of OCBC NISP. Mr. Lai holds a Bachelor of Arts with Honors from the University of Singapore.

Mr. Lee Seng Wee was first appointed to the Board on February 25, 1966 and last re-appointed as a Director on April 25, 2013. He was Chairman of OCBC Bank from August 1, 1995 to June 30, 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently Chairman of the Board of Trustees of the Temasek Trust and a Director of several companies, including Lee Rubber Group Companies and Lee Foundation. Mr. Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario.

Dr. Lee Tih Shih was first appointed to the Board on April 4, 2003 and last re-elected as a Director on April 25, 2013. He is presently an Associate Professor at the Duke University Medical School in Durham, USA and Duke-NUS Graduate Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the MAS. He is a Director of Lee Foundation and several Lee Rubber Group Companies. Dr. Lee graduated with M.D. and Ph.D. degrees from Yale University. He also holds a Master of Business Administration with Distinction from Imperial College, London.

Dato' Ooi Sang Kuang was appointed to the Board on February 21, 2012 and elected as a Director on April 25, 2012. He was Special Advisor in Bank Negara Malaysia ("BNM") until he retired on December 31, 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of BNM, from 2002 to 2010. Dato' Ooi is presently the Chairman of Cagamas Berhad (the national mortgage corporation in Malaysia) and its subsidiaries, OCBC Malaysia and OCBC Al-Amin, and he serves on the board of several companies. He holds a Bachelor of Economics with Honors from the University of Malaya and a Master of Arts (Development Finance) from Boston University, USA, and is a Fellow Member of the Institute of Bankers Malaysia.

Mr. Quah Wee Ghee was appointed to the Board on January 9, 2012 and elected as a Director on April 25, 2012. Mr. Quah was the Chairman of the Government of Singapore Investment Corporation's ("GIC") India and Natural Resources Business Groups and a Director of GIC Asset Management Pte Ltd. He is presently a Director of several companies, including Singapore Exchange Ltd, Bank of Singapore Ltd, Great Eastern Life Assurance Co Ltd, The Overseas Assurance Corporation Ltd and SLF Strategic Advisers Pte Ltd. He also serves as Chairman of the Ministry of Health Holdings Pte Ltd's Investment Committee, a Member of the Board of Trustees of Singapore University of Technology and Design and GIC's Investment Board. He holds a Bachelor of Engineering (Civil) from the National University of Singapore, is a Chartered Financial Analyst, and Alumni Member of the Stanford Graduate Business School.

Mr. Pramukti Surjandaja was first appointed to the Board on June 1, 2005 and last re-elected as a Director on April 25, 2013. He has been with OCBC NISP for 23 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Mr. Pramukti holds a Bachelor of Science (Finance & Banking) from San Francisco State University, a Master of Business Administration (Banking) from Golden Gate University and has participated in Special Programs in International Relations at the International University of Japan.

Mr. Tan Ngiap Joo was appointed to the Board on September 2, 2013. He had a long career of 37 years as a banker. He spent 20 years in Citibank N.A. serving in various capacities, including Senior Risk Manager of Citibank Australia and postings overseas prior to joining the OCBC Group in August 1990, where he held senior positions over the years, including Chief Executive of OCBC's Australian operations, and Head, Group Business Banking and was appointed Deputy President in December 2001. He retired in December 2007. He is presently Chairman of United Engineers Ltd, and a Director of several companies, including China Fishery Group Ltd, Mapletree Logistics Trust Management Ltd and Tan Chong International Ltd. He is also the Chairman of the Investment Committee of Mapletree India China Fund Ltd. Mr. Tan holds a Bachelor of Arts Degree from the University of Western Australia.

Dr. Teh Kok Peng was appointed to the Board on August 1, 2011 and elected as a Director on April 25, 2012. He was the President of GIC Special Investments Pte Ltd, the private equity arm of GIC. Prior to this, he was concurrently Deputy Managing Director of the MAS and Deputy Managing Director of GIC. He began his career at the World Bank under the Young Professionals Program in Washington D.C. Dr. Teh is presently the Chairman of Ascendas Pte Ltd and serves on the board of several companies, including China International Capital Corporation Ltd, Sembcorp Industries Ltd and S Rajaratnam Endowment CLG Ltd. He is also a Member of the Board of Trustees of National University of Singapore and The Trilateral Commission. He holds a First Class Honors in Economics at La Trobe University, Melbourne and Doctorate in Economics at Nuffield College, Oxford University, England, and attended the Advanced Management Program at the Harvard Business School.

Mr. Samuel N. Tsien was appointed to the Board on February 13, 2014 and as Chief Executive Officer on April 15, 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 36 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr. Tsien is presently Chairman of OCBC China and a Commissioner of OCBC NISP. He also serves on the boards of major OCBC Group companies, including Great Eastern Holdings, Bank of Singapore Ltd, OCBC Malaysia and OCBC Al-Amin. He has been Chairman of the Association of Banks in Singapore since June 2013 and is also a Director of Mapletree Investments Pte. Ltd. Mr. Tsien holds a Bachelor of Arts with Honors in Economics from the University of California, Los Angeles.

Mr. Wee Joo Yeow was appointed to the Board on January 2, 2014. He has more than 39 years of corporate banking experience. He was Managing Director & Head of Corporate Banking Singapore with United Overseas Bank Ltd until his retirement in June 2013. Prior to that, he was Executive Vice President & Head of Corporate Banking with Overseas Union Bank Ltd, and Head Credit & Marketing with First National Bank of Chicago (Singapore). He is presently a Director of several companies, including Mapletree Industrial Trust Management Ltd and Frasers Centrepoint Ltd. Mr. Wee holds a Master of Business Administration from New York University, USA and a Bachelor of Business Administration (Honors) from the University of Singapore.

Board Committees

The composition of our Board Committees satisfies the independence requirements of the Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010, corporate governance guidelines issued by the MAS and the Code of Corporate Governance 2012 (the “**2012 Code**”) adopted by the SGX-ST.

Executive Committee

The Executive Committee comprises Dr. Cheong Choong Kong (Chairman), Mr. David Conner, Mr. Lee Seng Wee, Dato’ Ooi Sang Kuang, Mr. Quah Wee Ghee, Mr. Tan Ngiap Joo and Mr. Wee Joo Yeow. The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of our business and affairs, within the parameters delegated by the Board. It reviews our policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of OCBC Bank.

Nominating Committee

The Nominating Committee comprises Dato’ Ooi Sang Kuang (Chairman), Dr. Cheong Choong Kong, Mr. Bobby Chin, Mr. Lai Teck Poh and Mr. Lee Seng Wee. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at OCBC Bank. It plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organization are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of our Directors and members of our Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. It also reviews nominations for senior management positions in OCBC Bank, including the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer. The Nominating Committee makes recommendations to the Board on all such appointments, including the compensation package for offer of employment, promotion and cessation of employment. It reviews obligations arising in the event of termination of the contracts of service of executive directors and senior management, to ensure such contracts contain fair and reasonable termination clauses.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors, when necessary. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search

consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of the MAS. In accordance with our Articles, the new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

Audit Committee

The Audit Committee comprises Mrs. Fang Ai Lian (Chairman), Mr. Tan Ngiap Joo and Dr. Teh Kok Peng.

The Audit Committee performs the functions specified in the Companies Act, Chapter 50 of Singapore, (the “**Companies Act**”), the 2012 Code, the listing manual of the SGX-ST and the MAS’ corporate governance regulations and guidelines.

The Committee has written terms of reference that describe the responsibilities of its members. The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year. It has full access to, and cooperation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to us, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The Audit Committee reviews our whistle blowing policy as well as any concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed up. If fraud is determined, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle blower’s interest will be safeguarded at all times, including the right to appeal to the Audit Committee if reprisals are taken against him.

The Audit Committee meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from our operations. Formal reports are sent to the Audit Committee on a regular basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter’s independence. It is satisfied that the financial, professional and business relationships between the OCBC Group and the external auditors are compatible with maintaining the independence of the external auditors. The aggregate amount of fees paid to the external auditors and breakdown of total fees paid for audit and non-audit services, respectively, are shown in the financial statements.

Where appropriate, the Audit Committee has adopted relevant best practices set out in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee.

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit adopts a risk-based approach where audit work is prioritized and scoped according to an assessment of risk exposures, including not only financial risks, but operational, technology, compliance and strategic risks as well. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring prompt and accurate recording of transactions and the adequate safeguarding of assets. In addition, Group Audit provides an independent assessment of the Group's credit portfolio quality and credit risk management process. Reviews conducted by Group Audit also focus on the Group's compliance with relevant laws and regulations, adherence to established policies and whether management has taken appropriate measures to address control deficiencies. In assessing the internal controls of the Group, Group Audit also provides advice on the development of new products as well as system developments and enhancements to help promote effective risk management and internal control practices.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience and reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. The division is organized into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment, removal and remuneration of the Head of Group Audit.

Remuneration Committee

The Remuneration Committee comprises Mrs. Fang Ai Lian (Chairman), Dr. Cheong Choong Kong, Mr. Bobby Chin, Dr. Lee Tih Shih, Dato' Ooi Sang Kuang and Dr. Teh Kok Peng. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee recommends to the Board a framework for determining the remuneration of executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It is empowered to review the human resources management policies and the policies governing the compensation of the executive officers of OCBC Bank and our subsidiaries, as well as the remuneration of senior executives. In addition, the Remuneration Committee administers the various employee share ownership schemes. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by the MAS from time to time.

In 2013, the Remuneration Committee engaged Mercer (Singapore) Pte Ltd to provide independent advice on the compensation framework to ensure greater alignment of pay policies and practices with market and regulatory standards. Mercer (Singapore) Pte Ltd is deemed to be independent. It is not related to OCBC Bank or any of our Directors, and it does not receive significant fees from other services provided.

Risk Management Committee

The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr. Lai Teck Poh (Chairman), Mr. David Conner, Dato' Ooi Sang Kuang, Mr. Quah Wee Ghee, Mr. Pramukti Surjaudaja and Mr. Wee Joo Yeow. All the Committee members are non-executive Directors. Members of the Committee have relevant technical financial sophistication in risk disciplines or business experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, including the risk profile, risk tolerance level and risk strategy. The Committee reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures. It also oversees the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis, including ensuring the adequacy of risk management practices for material risks.

Remuneration Policy

Directors' Remuneration

The Remuneration Committee recommends the remuneration for our executive Directors, if any, and non-executive Directors. The remuneration for non-executive Directors is subject to shareholders' approval at the AGM.

Compensation of Non-Executive Directors

Our remuneration for non-executive Directors is intended to attract capable individuals to our Board, as well as retain and motivate them in their roles as non-executive Directors. It aligns their interest to those of shareholders, is competitive in the region and recognizes individual contributions.

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:

- (a) annual board chairman fee of S\$1,800,000;
- (b) annual retainer fee of S\$45,000;
- (c) annual committee chairperson fee of S\$70,000 for Audit, Risk Management and Executive Committees, and S\$40,000 for Nominating and Remuneration Committees;
- (d) annual committee member fee of S\$40,000 for Audit, Risk Management and Executive Committees, and S\$20,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees);

- (e) annual lead independent director fee of S\$60,000; and
- (f) attendance fee of S\$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognize their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served less than a full annual term with the Board will be awarded shares, pro-rated on the basis of the term he has served as non-executive Director in the financial year. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2014.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions.

Compensation of Executive Directors

The compensation for executive Directors, if any, is formulated and reviewed by the Remuneration Committee annually to ensure that it is market competitive and that the rewards commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors, if any, are similar to those for the executives of the Bank.

Remuneration of Directors' or Chief Executive Officer's Immediate Family

None of the Directors or Chief Executive Officer had immediate family members who were employees of OCBC Bank and whose personal annual remuneration exceeded S\$50,000.

Remuneration of Directors and Chief Executive Officer in 2013

The below table shows our Directors' and Chief Executive Officer's remuneration in 2013:

Name	Total Remuneration	Salary and Fees ⁽⁴⁾	Performance-Based Remuneration				Other Benefits ⁽²⁾	Value of Remuneration Shares Awarded ⁽³⁾⁽⁴⁾	Options Granted	Acquisition Price	Exercise Period
			Bonuses	Value of Share Options Granted ⁽¹⁾	Value of Deferred Share/Share Awards Granted	Value of Share/Share Awards Granted					
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	No.	S\$		
<i>(in thousands, except Options Granted and Acquisition Price)</i>											
Directors:											
Cheong Choong Kong	2,263	2,112	–	–	–	95	56	–	–	–	
Bobby Chin	280	224	–	–	–	–	56	–	–	–	
David Conner	244	188	–	–	–	–	56	–	–	–	
Fang Ai Lian	244	188	–	–	–	–	56	–	–	–	
Lai Teck Poh	225	169	–	–	–	–	56	–	–	–	
Lee Seng Wee	205	149	–	–	–	–	56	–	–	–	
Lee Tih Shih	163	107	–	–	–	–	56	–	–	–	
Ooi Sang Kuang	252	196	–	–	–	–	56	–	–	–	
Quah Wee Ghee	224	168	–	–	–	–	56	–	–	–	
Pramukti Surjaudaja	183	127	–	–	–	–	56	–	–	–	
Tan Ngiap Joo	55	36	–	–	–	–	19	–	–	–	
Teh Kok Peng	253	197	–	–	–	–	56	–	–	–	
Chief Executive Officer:											
Samuel N. Tsien	8,818	1,242	4,500	750	2,250	76	–	647,892	9.428	March 15, 2015 to March 13, 2024	

Notes:

- (1) Share option was valued using the Binomial valuation model.
- (2) Represent non-cash component and comprise club and car benefits and employer's contributions to CPF.
- (3) Value of remuneration shares was estimated based on the closing price of ordinary shares on March 13, 2014, i.e., S\$9.35.
- (4) Fees and remuneration shares for non-executive Directors refer to those for financial year 2013 that are subject to approval by shareholders at the AGM in April 2014.

The table above excludes Mr. Colm McCarthy and Professor Neo Boon Siong who stepped down from the Board on May 15, 2013 and December 31, 2013, respectively, and Mr. Wee Joo Yeow who joined the Board after the year end on January 2, 2014.

Senior Management

The following table sets forth the senior management of OCBC Bank as of December 31, 2013:

Name	Age	Position
Mr. Samuel N. Tsien	59	Chief Executive Officer
Mr. Ching Wei Hong	54	Chief Operating Officer
Mr. Darren Tan Siew Peng	43	Chief Financial Officer
Mr. Jeffrey Chew	48	Director and Chief Executive Officer, OCBC Bank Malaysia
Mr. Gan Kok Kim	48	Head, Global Investment Banking – Global Treasury and Investment Banking
Ms. Goh Chin Yee	49	Head, Group Audit
Mr. Linus Goh Ti Liang	51	Head, Global Commercial Banking
Mr. Renato de Guzman	63	Chief Executive Officer, Bank of Singapore
Ms. Kng Hwee Tin	47	Chief Executive Officer, OCBC Bank China
Ms. Koh Ching Ching	46	Head, Group Corporate Communications
Mr. Gilbert Kohnke	55	Chief Risk Officer and Head, Group Risk Management
Mr. Lam Kun Kin	51	Head, Global Treasury and Investment Banking
Mr. George Lee Lap Wah	61	Head, Global Corporate Banking
Mr. Lim Khiang Tong	53	Head, Group Operations and Technology & Group Customer Experience
Mr. Na Wu Beng	57	Deputy President Director, OCBC NISP
Mr. Neo Bock Cheng	49	Head, Global Transaction Banking – Global Commercial Banking
Mr. Vincent Soh	58	Head, Group Property Management
Ms. Cynthia Tan Guan Hiang	63	Head, Group Human Resources
Mr. Dennis Tan	45	Head, Consumer Financial Services Singapore – Global Consumer Financial Services
Mrs. Teng Soon Lang	63	Head, Group Quality & Service Excellence
Mr. Peter Yeoh	59	Company Secretary and Head, Group Secretariat
Ms. Loretta Yuen	39	General Counsel and Head, Group Legal and Regulatory Compliance

Mr. Samuel N. Tsien Please see Mr. Tsien’s biography under “Board of Directors” above.

Mr. Ching Wei Hong was appointed Chief Operating Officer on April 15, 2012. In addition to Global Consumer Financial Services of which he has had oversight since May 2010, he is responsible for the Group Operations & Technology, Group Corporate Communications, Group Quality & Service Excellence and OCBC Property Services functions of the Bank. Mr. Ching is also Chairman of Bank of Singapore, OCBC Securities and Lion Global Investors. As Head of Global Consumer Financial Services, he is responsible for building our consumer banking business in our key markets and expanding our wealth management franchise. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr. Ching

has more than 28 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr. Ching holds a Bachelor of Business Administration from the National University of Singapore.

Mr. Darren Tan Siew Peng was appointed Executive Vice President and OCBC Bank's Chief Financial Officer in December 2011. As CFO, he oversees financial, regulatory and management accounting, treasury financial control, corporate treasury, funding and capital management, corporate development and investor relations. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy Chief Financial Officer in May 2011. Prior to joining OCBC Bank, Mr. Tan worked for 13 years in the Government of Singapore Investment Corporation ("GIC") with his last position in GIC as Head of Money Markets. He graduated with First Class Honors in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst.

Mr. Jeffrey Chew was appointed Executive Vice President in October 2006. He currently oversees the OCBC Group's Malaysian banking business. He joined OCBC Malaysia in April 2003 initially as Head of the SME business and subsequently, as Head of Business Banking. Mr. Chew began his career at PriceWaterhouseCoopers and subsequently joined Citibank in Malaysia where he held various roles over 12 years, including customer relationship management, risk management and international offshore banking and product management. A qualified accountant by training, he is a fellow member of the Chartered Association of Certified Accountants, United Kingdom.

Mr. Gan Kok Kim was appointed Executive Vice President and Head of Global Investment Banking in February 2012. As the Head of Global Investment Banking, he oversees our debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr. Gan joined OCBC Bank in 2004 as the Head of Treasury at OCBC Bank (Malaysia). In February 2011, he was also appointed Head of International Treasury. In August 2011, he was given the additional role of Head, Asset and Liability Management in Singapore and gave up his Malaysian role. Mr. Gan has more than 20 years of trading and management experience, and has held various positions in Citibank N.A. He holds a Bachelor of Science in Economics from the Massachusetts Institute of Technology.

Ms. Goh Chin Yee was appointed Head of Group Audit in March 2013. She oversees the full spectrum of audit activities for OCBC Bank and our subsidiaries. She reports directly to the Audit Committee and administratively to the Chief Executive Officer. Prior to this appointment, Ms. Goh was the Head of Business Management Unit in OCBC Bank's Global Treasury division. She has more than 25 years of experience in banking and has held responsibilities across various areas including strategic management, investment research, fund management, finance, risk management and treasury business management. Ms. Goh holds a Bachelor of Engineering (Civil) with First Class Honors from the National University of Singapore and is a Chartered Financial Analyst.

Mr. Linus Goh Ti Liang joined OCBC Bank in April 2004 as Executive Vice President and Head of International. He is presently the Head of Global Commercial Banking where he has global responsibility for the bank's commercial and institutional banking businesses. In addition to enterprise banking and financial institutions, which he has managed since August 2008, Mr. Goh also has oversight of the bank's transaction banking business. Mr. Goh has over 27 years of banking experience, including 17 years at Citibank, N.A. Singapore, where he held several senior management positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr. Goh holds a Bachelor of Arts (Philosophy) with Honors from the National University of Singapore.

Mr. Renato de Guzman is presently the Chief Executive Officer of Bank of Singapore. An accomplished banker with over 37 years of extensive banking experience, he has been instrumental in growing the private banking business in Asia where he was the Chief Executive Officer of ING Private Banking Asia from 2000. He was also Country Manager for ING Barings in Manila from 1990 to 2000. Mr. de Guzman holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, a Masters in Business Administration (with distinction) from Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

Ms. Kng Hwee Tin was appointed as CEO of OCBC China in March 2013. She has overall responsibility for directing and executing our growth strategy in China in her current role. Prior to this appointment, she was OCBC Bank's Head of Group Audit. Ms. Kng has more than 25 years of experience in banking, most notably establishing OCBC Bank's thrust into Premier Banking. During her tenure with OCBC Bank, she also held responsibilities in risk management and managing the implementation of key projects. Ms. Kng holds a Masters of Business Administration from the National University of Singapore, where she was awarded the Saw Gold Medal in Finance.

Ms. Koh Ching Ching was appointed Head of Group Corporate Communications in November 2004 and Executive Vice President in March 2012. She leads our group communications initiatives with the media, employees, customers, shareholders and the general public. Prior to her role in corporate communications, she led OCBC Bank's franchise expansion efforts in trade finance in Malaysia. Before this, Ms. Koh had 16 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honors in Business Administration from the National University of Singapore.

Mr. Gilbert Kohnke was appointed Executive Vice President and Head of Group Risk Management in September 2005. As Chief Risk Officer, he covers the full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. Jointly reporting to both the Chief Executive Officer and the Board Risk Management Committee of OCBC Bank, he has been leading the change in redefining the risk management approaches used by OCBC Bank in a Basel II and post global financial crisis Basel III world. He has over 25 years of banking experience. Prior to joining OCBC Bank, Mr. Kohnke was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce ("**CIBC**"), and subsequently, Head of European Portfolio Management of CIBC based in London. He holds a Bachelor of Arts in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii.

Mr. Lam Kun Kin was appointed Head of Global Treasury in January 2007 and Senior Executive Vice President in April 2011. He has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia and six other overseas centers. Since February 2012, he has also had the additional responsibility of overseeing the Bank's Global Investment Banking. Mr. Lam has more than 27 years of banking and investment management experience covering global fund management, global markets sales & trading and Asian financial market businesses. He has held various senior management positions in GIC, Citibank, N.A. and Temasek Holdings. Prior to joining OCBC Bank, he was Managing Director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Accountancy with Honors from the National University of Singapore and is a Chartered Financial Analyst.

Mr. George Lee Lap Wah was appointed Executive Vice President in August 2005 and is currently Head of Global Corporate Banking. Before assuming this role, he was Head of Global Investment Banking from 2002. Mr. Lee has more than 35 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr. Lee holds a Bachelor of Business Administration with Honors from the University of Singapore and is a Chartered Financial Analyst.

Mr. Lim Khiang Tong joined OCBC Bank in September 2000 as Chief Technology Officer of finatiQ.com and was transferred to OCBC Bank, assuming the role of Head of IT Management in January 2002. He was appointed Executive Vice President in December 2007 and Head of Group Operations and Technology in May 2010. Mr. Lim oversees OCBC Bank's regional processing centers and technology operations, driving for productivity gains and lower unit costs. Since June 2013, he has also assumed oversight of the Bank's Group Customer Experience division, leading quality initiatives designed to strengthen service culture and simplify banking to engage customers better. Mr. Lim has more than 24 years of information technology and banking operations management experience. He holds a Bachelor of Science (Computer Science & Economics) from the National University of Singapore.

Mr. Na Wu Beng was appointed Executive Vice President in March 2001. Currently assigned to OCBC NISP as Deputy President Director, he joined its Board of Directors in September 2005. In addition, he has direct responsibility for the Business Banking division, managing OCBC NISP's corporate, commercial and transaction banking businesses. Mr. Na joined OCBC Bank in February 1990, and was responsible for our operations in Hong Kong and North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honors from Coventry University, United Kingdom.

Mr. Neo Bock Cheng joined OCBC Bank in October 2003 as Head of Cash Management. He was appointed Senior Vice President in April 2005 to oversee the Global Transaction Banking Division which provides cash management, trade finance, and nominee services to corporate and commercial banking customers. In April 2012, he was appointed Executive Vice President. Mr. Neo brings with him more than 24 years of corporate banking experience, including over 13 years with regional assignments at several major international banks such as Citibank and JP Morgan Chase. Mr. Neo graduated with a Bachelor of Engineering (Civil) degree from the National University of Singapore.

Mr. Vincent Soh is the Managing Director of OCBC Property Services Pte Ltd, a wholly owned subsidiary of OCBC Bank. He is responsible for managing OCBC Group's real estate portfolio. He has held senior level positions in the public and private sectors. Mr. Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors, United Kingdom.

Ms. Cynthia Tan Guan Hiang was appointed Executive Vice President in April 2005. Being Head of Group Human Resources, she is responsible for the management as well as training and development of our human capital. Ms. Tan has over 29 years of experience in this field, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. She was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, United Kingdom.

Mr. Dennis Tan was appointed Head of Consumer Financial Services Singapore in November 2012 and Executive Vice President in April 2013. He oversees OCBC Bank's consumer banking business in Singapore. Mr. Tan joined OCBC Bank in September 2009 as the Head of Branch and Group Premier Banking. Prior to OCBC Bank, he spent 16 years at Citibank Singapore where he last held the position of Managing Director, Sales and Distribution Head of its Global Consumer Banking division. Mr. Tan holds a Bachelor of Science in Business (Honors with Distinction) from Indiana University, United States of America.

Mrs. Teng Soon Lang was appointed Executive Vice President in January 2003. She heads the Group Quality & Service Excellence Division which is responsible for building a quality culture, facilitating cross-functional process transformations and enhancing collaborations across the organization. She joined OCBC Bank in 1996 as Group Chief Information Officer. Mrs. Teng holds a Bachelor of Accounting with Honors and a Master of Science (Computer and Information Sciences) from the National University of Singapore as well as a Post Graduate Qualification from the Institute of Cost and Management Accountants, United Kingdom.

Mr. Peter Yeoh joined OCBC Bank in January 1984 and was appointed Company Secretary in August 2002. Since joining OCBC Bank, he has held responsibilities in finance, accounting, management information services and strategic projects. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia, and a Member of the Institute of Singapore Chartered Accountants.

Ms. Loretta Yuen was appointed General Counsel and Head of Group Legal and Regulatory Compliance in September 2010 and Senior Vice President in April 2011. She oversees the full spectrum of legal and regulatory risks, including anti-money laundering, across OCBC Bank and its subsidiaries, and provides advice on regulatory risks and legal issues involved in decisions to management, so that management can make informed strategic choices within an acceptable legal and regulatory risk profile. Ms. Yuen has over 13 years of legal and regulatory experience in banking and finance. She graduated with Second Class Honors in Law from the National University of Singapore.

PRINCIPAL SHAREHOLDERS

Ordinary Shares

Twenty Largest Holders of Ordinary Shares

The total shareholdings of the 20 largest shareholders (members) of OCBC Bank form 67.51% of the issued share capital of OCBC Bank, and their names and the amount of ordinary shares held by each of them at March 5, 2014 are as detailed below:

Shareholders (members)	Amount of ordinary shares held	
	Number of shares	%
Citibank Nominees Singapore Pte Ltd	481,352,509	14.02
Selat (Pte) Limited	393,711,299	11.47
DBS Nominees (Private) Limited	364,009,774	10.60
DBSN Services Pte. Ltd.	167,956,837	4.89
HSBC (Singapore) Nominees Pte Ltd	129,660,846	3.78
Singapore Investments (Pte) Limited	126,516,053	3.68
Lee Foundation	124,992,106	3.64
BNP Paribas Securities Services Singapore	106,201,836	3.09
Lee Rubber Company (Pte) Limited	104,632,908	3.05
United Overseas Bank Nominees (Private) Limited	69,360,968	2.02
Lee Latex (Pte) Limited	48,299,725	1.41
Raffles Nominees (Pte.) Limited	35,748,280	1.04
Kallang Development (Pte) Limited	32,505,829	0.95
Lee Pineapple Company (Pte) Limited	22,599,381	0.66
Kew Estate Limited	22,042,465	0.64
Bank of Singapore Nominees Pte. Ltd.	20,577,045	0.60
Lee Brothers (Wee Kee) Private Limited	17,773,323	0.52
DB Nominees (Singapore) Pte Ltd	16,995,090	0.49
Tropical Produce Company (Pte) Limited	16,472,067	0.48
Kota Trading Company Sendirian Berhad	16,390,287	0.48
Total	2,317,798,628	67.51

Substantial Holders of Ordinary Shares

The following table shows the shareholders of OCBC Bank owning more than 5% of its outstanding ordinary shares as shown on its share register at March 5, 2014.

Substantial ordinary shareholders	Ordinary shares registered in the name of the substantial ordinary shareholders	Ordinary shares held by the substantial ordinary shareholders in the name of nominees	Ordinary shares in which the substantial ordinary shareholders are deemed to be interested	Total	% of issued ordinary shares
Lee Foundation ⁽¹⁾	124,992,106	–	544,847,743	669,839,849	19.51%
Selat (Pte) Limited ⁽²⁾	393,711,299	–	17,500,981	411,212,280	11.97%
Aberdeen Asset Management PLC ⁽³⁾	–	–	247,185,648	247,185,648	7.20%
Aberdeen Asset Management Asia Limited ⁽⁴⁾	–	–	215,074,215	215,074,215	6.26%

Notes:

- (1) This represents Lee Foundation's deemed interest in (a) the 22,599,381 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 393,711,299 ordinary shares held by Selat (Pte) Limited, (c) the 126,516,053 ordinary shares held by Singapore Investments (Pte) Limited and (d) the 2,021,010 ordinary shares held by Peninsula Plantations Sendirian Berhad.
- (2) This represents Selat (Pte) Limited's deemed interest in (a) the 1,293,374 ordinary shares held by South Asia Shipping Company Private Limited and (b) the 16,207,607 ordinary shares held by Island Investment Company (Private) Limited.
- (3) This represents the deemed interest in 247,185,648 ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries, Aberdeen Asset Management Asia Limited, Aberdeen Asset Management Inc., Aberdeen Asset Management Sdn Bhd, Aberdeen Asset Managers Limited, Aberdeen International Fund Managers Limited, Aberdeen Private Wealth Management Limited, Aberdeen Investment Management K K and Aberdeen Asset Management Limited (together, the "**AAM Group**"), through various custodians, on behalf of the accounts managed by the AAM Group. OCBC Bank has been advised by Aberdeen Asset Management PLC that the AAM Group holds a total of 247,185,648 ordinary shares in OCBC Bank across all mandates, equivalent to 7.20% of OCBC Bank's issued ordinary shares, of which the AAM Group is given disposal rights and proxy voting rights for 152,446,448 ordinary shares equivalent to 4.44% and disposal rights without proxy voting rights for 94,739,200 ordinary shares.
- (4) This represents the deemed interest in 215,074,215 ordinary shares held by Aberdeen Asset Management Asia Limited ("**AAMAL**"), through various custodians, on behalf of the accounts managed by AAMAL. OCBC Bank has been advised by AAMAL that it holds a total of 215,074,215 ordinary shares in OCBC Bank across all mandates, equivalent to 6.26% of OCBC Bank's issued ordinary shares, of which AAMAL is given disposal rights and proxy voting rights for 132,998,440 ordinary shares equivalent to 3.87% and disposal rights without proxy voting rights for 82,075,775 ordinary shares.

Distribution of Ordinary Shareholders

The number of ordinary shareholders (members) of OCBC Bank at March 5, 2014 is 75,095. There is one class of ordinary shares with equal voting rights.

Size of Holdings	Number of Ordinary Shareholders	%	Ordinary Shares held (excluding treasury shares)	%
1 – 999	10,713	14.26	2,455,471	0.07
1,000 – 10,000	51,177	68.15	161,772,423	4.71
10,001 – 1,000,000	13,071	17.41	611,038,754	17.79
1,000,001 and above	134	0.18	2,658,739,841	77.43
Total	75,095	100.00	3,434,006,489	100.00

Preference Shares

In addition to our ordinary shares, we have issued various classes of preference shares, all of which are currently outstanding.

Preference Shares	Shares ('000)
Class G non-cumulative non-convertible preference shares	395,831
Class M non-cumulative non-convertible preference shares	1,000,000

SUBSIDIARIES, AFFILIATES AND ASSOCIATED COMPANIES

As of December 31, 2013, we had 103 consolidated subsidiaries and 10 associates and joint ventures which are accounted for in the consolidated financial statements using the equity method of accounting. The following table sets forth information with respect to our principal companies, all of which are consolidated as of December 31, 2013.

Subsidiaries, affiliates and associated companies	Effective%⁽¹⁾ interest held	Main business
Bank of Singapore Limited (formerly ING Asia Private Bank Ltd) . .	100	Banking
OCBC Al-Amin Bank Berhad	100	Banking
OCBC Bank (Malaysia) Berhad	100	Banking
OCBC Bank (China) Limited	100	Banking
PT Bank OCBC NISP Tbk	85	Banking
Great Eastern Life Assurance (Malaysia) Berhad	87	Insurance
Overseas Assurance Corporation (Malaysia) Berhad	87	Insurance
The Great Eastern Life Assurance Company Limited	87	Insurance
The Overseas Assurance Corporation Limited	87	Insurance
Lion Global Investors Limited	91	Asset management
Great Eastern Holdings Limited	87	Investment holding
OCBC Securities Private Limited	100	Stockbroking

Note:

(1) Rounded to the nearest percentage.

SUPERVISION AND REGULATION

Singapore Banking Industry

Introduction

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

A licensed bank's operations may include the provision of capital markets services and financial advisory services. A bank licensed under the Banking Act is exempt from holding a capital markets services license under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and from holding a financial adviser's license under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"). However, a licensed bank will nonetheless have to comply with the SFA and the FAA and the subsidiary legislation issued thereunder, as well as notices, circulars and guidelines issued by the MAS from time to time, as may be applicable to it in respect of these regulated activities.

The Monetary Authority of Singapore

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

The Regulatory Environment

Capital Adequacy Ratios

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

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

In July 2012, the Basel Committee further published the interim framework for capitalization of bank exposures to central counterparties.

MAS Notice 637 implements Basel III capital standards for Singapore-incorporated banks and sets out the current requirements relating to the minimum capital adequacy ratios for banks incorporated in Singapore and the methodology such banks shall use for calculating these ratios. MAS Notice 637 also sets out the expectations of the MAS in respect of the internal capital

adequacy assessment process of SIBs under the supervisory review process and specifies the minimum disclosure requirements for Singapore-incorporated banks in relation to its capital adequacy. MAS Notice 637 was amended on December 31, 2013 to, among other things, incorporate disclosure and submission requirements for assessing global systemically important banks and requirements to ensure loss absorbency at the point of non-viability. Pursuant to MAS Notice 637, the MAS has imposed capital adequacy ratio requirements on a SIB at two levels:

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

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

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

Under MAS Notice 637, SIBs will be required to meet capital adequacy requirements that are higher than the Basel Committee’s requirements. MAS Notice 637 sets out a minimum CET1 CAR of 4.5% and a minimum Tier 1 CAR of 6.0% with effect from January 1, 2013. These will increase progressively to 6.5% and 8.0% respectively from January 1, 2015. The MAS’ existing requirement for total capital adequacy ratio will remain unchanged at 10.0%.

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

Under the requirements of the Basel Committee, banks are required to maintain minimum CET1 CAR, Tier 1 CAR and Total CAR of 3.5%, 4.5%, and 8.0%, respectively, from January 1, 2013, and CET1 CAR, Tier 1 CAR and Total CAR of 4.5%, 6.0% and 8.0%, respectively, from January 1, 2015. In addition, banks are required to hold a capital conservation buffer (“**CCB**”) of 2.5% above the minimum capital adequacy requirements to weather periods of high stress. This CCB is to be met with CET1 capital and will begin at 0.625% on January 1, 2016, increasing by an additional 0.625 percentage points in each subsequent year, to reach 2.5% on January 1, 2019.

Furthermore, banks are subject to a countercyclical buffer ranging from 0% to 2.5% which will be implemented by each country when there is excessive credit growth in their systems, with discretion on the implementation according to their national circumstances. The countercyclical buffer will be phased in from January 1, 2016 to January 1, 2019. This countercyclical buffer is to be met with CET1 or possibly other forms of loss absorbing capital, subject to further guidance from the Basel Committee. It is not an ongoing requirement but only applied as and when specified by the relevant banking supervisors. These two buffers are to be maintained in the form of CET1 capital.

In line with the Basel Committee's requirements, the MAS has introduced in MAS Notice 637 a CCB of 2.5% above the minimum capital adequacy requirements. The CCB will be met with CET1 capital and begins at 0.625% on January 1, 2016, increasing by an additional 0.625% in each subsequent year, to reach its final level of 2.5% on January 1, 2019. Including the CCB, SIBs will be required to meet CET1 CAR, Tier 1 CAR, and Total CAR of 9.0% 10.5% and 12.5%, respectively from January 1, 2019.

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

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

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

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

Other Key Prudential Provisions

A bank is also required to hold minimum liquid assets as specified in Section 38 of the Banking Act and MAS Notice 613 on Minimum Liquid Assets ("**MAS Notice 613**"). Under the bank-general framework, every bank in Singapore must hold, at all times, a minimum of 16% of its qualifying liabilities (as defined in MAS Notice 613) in liquid assets, unless it applies to the MAS for approval to comply with a bank-specific framework or a bank-basic framework under MAS Notice 613. A bank must compute and maintain its minimum liquid assets requirement on every business day in accordance with Appendix 5 to MAS Notice 613. Where a bank is approved by the MAS to comply with the bank-specific framework, the MAS will assign the bank a cap (which would be between 10% and 15%) of its qualifying liabilities that it would be required to hold. Banks in Singapore that qualify for a bank-specific minimum liquid asset requirement must comply with the guidelines detailed in Appendix 1 to MAS Notice 613. Bank-specific minimum liquid asset requirements are not released publicly. A bank which is unable to comply with the bank-general framework or the bank-specific framework may apply to the MAS for approval to comply with the bank-basic framework. If the application is approved, the bank shall hold at all times, during a maintenance period, liquid assets of at least 18% of the average of the daily qualifying liabilities computed during the relevant two-week period beginning on a Thursday and ending on a Wednesday. In general, a bank must hold, at all times at least 50% of its liquid assets held for the purposes of Section 38 of the Banking Act in Tier 1 liquid assets, as detailed in MAS Notice 613. Under Section 39 of the Banking Act and MAS Notice 758 on Minimum Cash Balance a bank is also required to maintain, during a maintenance period, an aggregate minimum cash balance with the MAS of at least an average of 3% of its average qualifying liabilities (as defined in MAS Notice 613) computed over the relevant two-week period beginning on a Thursday and ending on a Wednesday.

In January 2013, the Group of Central Bank Governors and Heads of Supervision endorsed the Basel III Liquidity Rule – Liquidity Coverage Ratio as the global minimum standard for liquidity risk. In a consultation paper on the local implementation of the liquidity coverage ratio (“**LCR**”) standards in Singapore published in August 2013, the MAS proposed to replace the existing minimum liquid assets framework with the LCR framework for all banks in Singapore. Under the Basel Committee’s recommended implementation timeline, the LCR requirement starts at 60% on January 1, 2015 and increases 10% annually to reach 100% by January 1, 2019. The MAS has proposed to adopt the same timeline and level of requirement for the consolidated LCR requirement in Singapore, as well as introduce Singapore dollar and U.S. dollar currency-level LCR requirements. The MAS has indicated that the draft rules for implementation of LCR in Singapore will be released at a later date after studying the data collected from the Quantitative Impact Study based on its proposed guidance and the comments from the consultation.

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

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

For the purposes of this paragraph:

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

Regulation 24 of the Banking Regulations 2001, as amended (the “**Banking Regulations**”) has prescribed that the MAS may also impose requirements for the purpose of limiting the exposure of the bank to: (a) any officer (other than a director) or employee of the bank or other person who receives remuneration from the bank other than for services rendered to the bank or any company that is treated as part of the bank’s group of companies according to SFRS; and (b) a group of persons, who are financially dependent on one another or where one person (the controlling person) controls every other person in that group, and where at least one of the persons is a

counterparty to the bank. For these purposes, a person is controlled by the controlling person if the person is (i) a person in which the controlling person holds more than half of the total number of issued shares (whether legally or beneficially); (ii) a person in which the controlling person controls more than half of the voting power; (iii) a person in which the controlling person controls the composition of the board of directors; (iv) a subsidiary of a person described in (i) to (iii) above; or (v) a person the policies of which the controlling person is in a position to determine. The MAS issued MAS Notice 639 pursuant to Section 29 of the Banking Act. MAS Notice 639 sets out the limits on a bank in Singapore's exposure to a single counterparty group, the types of exposures to be included in or excluded from these limits, the basis for computation of exposures, the approach for aggregating exposures to counterparties that pose a single risk to the bank, the recognition of credit risk mitigation and aggregating of exposures at the bank group level.

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

- (a) at Solo level, a SIB shall not permit (i) the aggregate of its exposures to a single counterparty group to exceed 25% or such other percentage of its eligible total capital as may be approved by the MAS; and (ii) the aggregate of exposures exceeding 10% of its eligible total capital to any single counterparty group to exceed 50% or such other percentage of its total exposures as may be approved by the MAS; and
- (b) at Group level, a SIB shall aggregate its exposures to a single counterparty group (other than the exposures to the financial group of the bank) with the exposures of its subsidiaries and the exposures of all other companies treated as part of the bank group to the same counterparty group and shall not permit (i) the aggregate of the exposures of the bank group to a single counterparty group to exceed 25% or such other percentage of the eligible total capital of the bank group as may be approved by the MAS; and (ii) the aggregate of the exposures of the bank group exceeding 10% of the eligible total capital of the bank group to any single counterparty group, to exceed 50% or such other percentage of the bank group's total exposures as may be approved by the MAS. The term "eligible total capital", in relation to a SIB, has the same meaning as "Eligible Total Capital" in MAS Notice 637, on a Solo level and in relation to a bank group, has the same meaning as "Eligible Total Capital" in MAS Notice 637, on a Group level.

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

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

Every bank in Singapore shall make adequate provisions for bad and doubtful debts and, before any profit or loss is declared, ensure that the provision is adequate.

MAS Notice 643 on Transactions with Related Parties (dated April 2, 2013, and scheduled to take effect from July 1, 2014) ("**MAS Notice 643**") was issued by the MAS pursuant to Section 55(1) of the Banking Act. MAS Notice 643 sets out requirements relating to transactions of banks in Singapore with related parties, which seek to minimize the risk of abuses arising from conflicts of interest.

On December 5, 2013, the MAS issued a Consultation Paper on “Related Party Transaction Requirements for Banks”. This consultation paper sets out proposed changes to the MAS’ requirements on banks’ transactions with their related parties, which are set out in MAS Notice 643 and in the Banking Act. The proposed changes are intended to address the industry feedback that the MAS has received, as well as to ensure oversight and controls over related party transactions, to minimize the risk of abuses arising from conflicts of interest. The proposed changes, as discussed in the consultation paper, are also intended to rationalize the related party transactions requirements in the Banking Act with those set out in MAS Notice 639, MAS Notice 639A on Exposures and Credit Facilities to Related Concerns and MAS Notice 643, while ensuring appropriate oversight and controls over banks’ related party transactions.

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

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

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

A bank in Singapore cannot hold or acquire, directly or indirectly, a major stake in any company without first obtaining the prior approval of the MAS. A “**major stake**” means: (i) any beneficial interest exceeding 10% of the total number of issued shares in a company; (ii) control over more than 10% of the voting power in a company; or (iii) any interest in a company, where directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the bank’s directions, instructions or wishes, or where the bank is in a position to determine the policy of the company.

No bank in Singapore shall hold or acquire, directly or through a subsidiary of the bank or any other company in the bank group, interests in or rights over immovable property, wherever situated, the value of which exceeds in the aggregate 20% of the capital funds of the bank or the eligible total capital of the bank group. However, a bank is not allowed to engage in property development or management except when it is carrying on property management services in relation to investment properties that are owned by the bank or any company in which the bank has acquired or holds a major stake (in this paragraph, “**financial group**”), properties that have been foreclosed by the financial group in satisfaction of debts owed to it and properties occupied and used in the business of the financial group.

With effect from December 31, 2013, SIBs are permitted to issue covered bonds subject to conditions under MAS Notice 648. The aggregate value of assets in the cover pools for all covered bonds issued by the bank and special purpose vehicles on behalf of the bank must not exceed 4% of the value of the total assets of the bank at all times. The total assets of the bank include the assets of the overseas branches of the bank incorporated in Singapore but not its subsidiaries, whether in Singapore or overseas.

Corporate Governance Regulations and Guidelines

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

Other Requirements

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

In the event of the winding up of a bank, the following liabilities in Singapore of the bank shall, amongst themselves, rank in the following order of priority: (i) firstly, any premium contributions due and payable by the bank under the Deposit Insurance and Policy Owners’ Protection Schemes Act, Chapter 77B of Singapore (the “**Deposit Insurance and Policy Owners’ Protection Schemes Act**”); (ii) secondly, liabilities incurred by the bank in respect of insured deposits, up to the amount of compensation paid or payable out of the Deposit Insurance Fund by the Singapore Deposit Insurance Corporation Limited under the Deposit Insurance and Policy Owners’ Protection Schemes Act in respect of such insured deposits; (iii) thirdly, deposit liabilities incurred by the bank with non-bank customers, other than those specified in paragraph (ii) above and paragraph (iv) below; and (iv) fourthly, deposit liabilities incurred by the bank with non-bank customers when operating an Asian Currency Unit approved under the Banking Act. As between liabilities of the same class referred to in each of paragraphs (i) to (iv) above, such liabilities shall rank equally between themselves. The liabilities specified above shall have priority over all unsecured liabilities of the bank other than the preferential debts specified in Section 328(1) of the Companies Act.

Unless otherwise provided expressly in the Banking Act, a bank in Singapore and its officers may not disclose customer information to any other person without the written consent of the customer.

In a consultation paper on the Review of the Banking Act issued by the MAS on November 28, 2013, the MAS proposed changes to the Banking Act which aim to strengthen its supervisory oversight and codify the MAS' expectations about the information that banks should provide to the MAS and the risk management practices which the banks should implement.

Examinations and Reporting Arrangements for Banks

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

All banks in Singapore are required to submit periodic statistical returns and financial reports to the MAS, including returns covering minimum cash balances and liquid assets, statements of assets and liabilities and total foreign exchange business transacted.

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

Directors and Executive Officers of Banks

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

In a consultation paper on the Review of the Banking Act issued by the MAS on November 28, 2013, the MAS proposed to replace the three existing grounds in Section 54(2) for removal of directors and executive officers with "ceasing to be fit and proper" (which encompasses the existing grounds for removal) and to include "interest of the Singapore financial system" as an additional premise for such removals.

Financial Benchmarks

The MAS announced proposals for a new regulatory framework for financial benchmarks on June 14, 2013. The proposals include (a) introducing specific criminal and civil sanctions under the SFA for manipulation of any financial benchmark (including Singapore Interbank Offer Rates, Swap Offer Rates and Foreign Exchange spot benchmarks), and (b) subjecting the setting of key financial benchmarks to regulatory oversight. The MAS will license administrators and submitters of key financial benchmarks and such persons will be subject to regulatory requirements.

Supervision by Other Agencies

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

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

Singapore Insurance Industry

The MAS also regulates and supervises licensed insurers in Singapore. The insurance regulatory framework in Singapore consists mainly of the Insurance Act, Chapter 142 of Singapore (the “**Insurance Act of Singapore**”) and its related regulations, as well as the relevant notices, guidelines, circulars and practice notes issued by the MAS. With effect from April 18, 2013, the Insurance Act was amended by the Insurance (Amendment) Act 2013 (No. 11 of 2013) to, *inter alia*, enhance the powers of the MAS under the Insurance Act to meet its supervisory objectives, to improve the clarity or consistency of existing policy, to align the Insurance Act with other MAS-administered statutes and to repeal certain provisions which have become obsolete. The MAS has issued several consultation papers with proposals to make amendments to certain aspects of the insurance regulatory framework (including to improve the comprehensiveness of the risk coverage and risk sensitivity of the risk-based capital framework for insurers), which, if implemented, may affect the contents of this section. This section sets out certain key regulations applicable to licensed insurers in the conduct of their insurance business, and does not address the regulatory framework applicable to insurance intermediaries (whether or not agents or employees of licensed insurers) whether in respect of life or non-life policies.

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

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

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

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

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

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

Exempt Financial Adviser Status of Great Eastern Life

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

Supervisory Powers of the Monetary Authority of Singapore

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

Capital Requirements

A licensed insurer is required at all times to maintain a minimum level of paid-up ordinary share capital. A licensed insurer incorporated in Singapore must obtain the prior written approval of the MAS to reduce its paid-up ordinary share capital or redeem any preference share. Further, a licensed insurer which is incorporated in Singapore is required to notify the MAS of its intention

to issue any preference share or certain instruments prior to the date of issue of the preference share or instrument. A licensed insurer is also required at all times to satisfy its capital adequacy requirement, which is that its financial resources must not be less than the greater of:

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

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

Following the consultation paper on the “Review on Risk-Based Capital Framework for Insurers in Singapore (“**RBC 2 Review**”)” issued by the MAS on June 22, 2012, the MAS issued a second consultation paper on the “Review on Risk-Based Capital Framework for Insurers in Singapore (“**RBC 2 Review**”)” on March 26, 2014. First introduced in 2004, the risk-based capital framework:

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

The MAS has stated that the RBC 2 Review is not intended to result in a significant overhaul to the existing framework. Instead, it seeks to improve the comprehensiveness of the risk coverage and the risk sensitivity of the framework as well as define more specifically MAS’ supervisory approach with respect to the solvency intervention levels. The MAS has indicated that there will be a third consultation on RBC 2 Review and it will also be consulting on the relevant legislative changes. MAS has proposed to implement most of the RBC 2 requirements from January 1, 2017 (with some requirements being implemented later).

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

Policy Owners' Protection Scheme

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

There are two funds established under the PPF Scheme, namely the Policy Owners' Protection Life Fund (the “**PPF Life Fund**”) to cover insured policies comprised in insurance funds established and maintained under Section 17 of the Insurance Act of Singapore by direct insurers licensed to carry on life business and the Policy Owners' Protection General Fund (the “**PPF General Fund**”) to cover insured policies comprised in insurance funds established and maintained under Section 17 of the Insurance Act of Singapore by direct insurers licensed to carry on general business.

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

Asset Management

MAS Notice 125 on Investments of Insurers sets out the basic principles that govern the oversight of investment activities of an insurer and the investments of its insurance funds, and in the case of an insurer that is incorporated or established in Singapore, the investments of both its insurance funds and its shareholders' funds. It contains requirements relating to, among other things, the oversight by the board of directors and senior management, the various reports to be made by the investment committee to the board of directors at the prescribed frequency, duties of the investment committee, asset-liability management and permitted derivatives activities. MAS Notice 105 on Appointment of Custodian and Fund Manager, requires a licensed insurer to file with the MAS, a list of all the assets of all insurance funds established and maintained under the Insurance Act of Singapore by the insurer where documents evidencing titles are kept by custodians for the insurer as at the end of that accounting period or a nil return where the licensed insurer as at the end of the accounting period does not have such insurance fund assets or has not as yet established and maintained insurance funds for its policies, to, among other things, exercise due care and diligence when appointing overseas custodians, and to notify the MAS prior to the appointment of a fund manager or revocation of such appointment.

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

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

Separate Accounts Requirement

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

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

The solvency requirement in respect of an insurance fund must at all times be such that the “financial resources” of the fund are not less than the “total risk requirement” of the fund. A licensed insurer is required to immediately notify the MAS when it becomes aware that it has failed, or is likely to fail, to comply with the fund solvency requirement. Each of the “financial resources” of an insurance fund and its “total risk requirement” is determined, and assets and liabilities are valued, in accordance with the requirements of the Insurance (Valuation and Capital) Regulations 2004, the MAS. Guidelines on Valuation of Policy Liabilities of General Business, the MAS Notice 319 on Valuation of Policy Liabilities of Life Business and the MAS Guidelines on Use of Internal Models for Liability and Capital Requirements for Life Insurance Products Containing Investment Guarantees with Non-linear Payouts, where applicable. The MAS has the authority to direct that the insurer satisfy fund solvency requirements other than those that the insurer is required to maintain under the relevant Section of the Insurance Act of Singapore if the MAS considers it appropriate. The MAS also has the power to impose directions on the insurer, and direct the insurer to carry on its business in such manner and on such conditions as specified by the MAS in the event that it is notified of any failure or likely failure, or is aware of any inability, of the insurer to comply with the fund solvency requirement described above.

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

Reinsurance

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

Regulation of Products

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

An insurer is required under MAS Notice 302 on Product Development and Pricing to exercise prudent management oversight on the pricing and development of insurance products and investment-linked policy sub-funds, and to, before offering certain new products, either obtain the approval of, or notify, the MAS, as the case may be. Such request for approval or notification shall include information on, among other things, the tables of premium rates. MAS Notice 302 also sets forth prohibited payout features and requirements relating to disclosure to policyholders and persons entitled to payment of the policy moneys under a policy who have exercised a certain settlement option. In addition, the MAS has issued the MAS Guidelines on Risk Management Practices for Insurance Business – Core Activities, which provide further guidance on risk management practices in general, relating to, among other things, product development and pricing.

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

Market Conduct Standards

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

MAS Notice 211 on Minimum and Best Practice Training and Competency Standards for Direct General Insurers requires direct general insurers to only enter into insurance contracts arranged by agents or staff with requisite registration and minimum qualification requirements (unless

exemptions apply), and requires direct general insurers to ensure that staff of certain agents who sell or provide sales advice on the insurers' products are adequately trained and that front-end operatives meet the qualification requirements (unless exemptions apply) before they are allowed to provide sales advice on or sell general insurance products or handle claims. Non-mandatory best practice standards apply to direct general insurers to implement training and competency plans for front-end operatives. The MAS Guidelines on Market Conduct Standards and Service Standards for Direct General Insurers set out the standards of conduct expected of direct general insurers as product providers of insurance policies.

In respect of health insurance products, direct insurers must ensure, among other things, that any individual employed by them or who acts as their insurance agent or appointed representative pass the examination requirements specified in MAS Notice 117 on Training and Competency Requirement: Health Insurance Module (unless exemptions apply) and are prohibited from accepting business in respect of any health insurance product from any individual whom they employ or who acts as their insurance agent and who has not met such requirements. The MAS Notice 120 on Disclosure and Advisory Process Requirements for Accident and Health Insurance Products sets out both mandatory requirements and best practice standards on the disclosure of information and provision of advice to insureds for accident and health policies and life policies that provide accident and health benefits.

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

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

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

Corporate Governance

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

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

- (a) in the case of:
 - (i) a direct life insurer, which has total assets of at least S\$5 billion or its equivalent in any foreign currency;

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

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

- (b) which is not a Tier 1 insurer (each a “**Tier 2 Insurer**”) to, subject to certain exceptions, have a board of directors comprising at least one-third of directors who are “independent directors”. OAC is a Tier 2 insurer.

“Independent directors” are directors who are independent from any management and business relationship with the insurer and from any substantial shareholder of the insurer and who have not served on the board of directors of the insurer for a continuous period of nine years or longer.

Asset and Liability Exposures

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

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

Risk Management and Fit and Proper Person

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

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

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

MAS Technology Risk Management Guidelines set out risk management principles and best practice standards to guide financial institutions (including licensed insurers) in respect of (a) establishing a sound and robust technology risk management framework, (b) strengthening system security, reliability, resiliency, and recoverability, and (c) deploying strong authentication to protect customer data, transactions and systems. Senior officers who have direct knowledge of a financial institution's information systems and operations should complete a prescribed compliance checklist each year.

Under the MAS Guidelines on Fit and Proper Criteria, the following persons, among others, are required to be "fit and proper" persons: a substantial shareholder of a licensed insurer, a principal officer or director of a licensed insurer, a person having effective control of a licensed insurer, a person having control of a licensed insurer, an appointed actuary, a certifying actuary, and an exempt financial institution and its representatives in relation to activities regulated by the MAS under the FAA. Broadly, the MAS will take into account, among other things, the following criteria in considering whether a person is fit and proper: (i) honesty, integrity and reputation; (ii) competence and capability; and (iii) financial soundness. The Guidelines were last updated before the Insurance (Amendment) Act 2013 came into effect and it is expected that the requirements in the Guidelines should be interpreted in a manner consistent with the Insurance (Amendment) Act 2013.

Appointment of Chairman, Directors and Key Executive Persons

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

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

If at any time it appears to the MAS that (a) a key executive person, the chairman or a director of a licensed insurer which is established or incorporated in Singapore has failed to perform his functions or is no longer a fit and proper person to be so appointed and (b) it is necessary in the public interest or for the protection of policy owners of a licensed insurer, the MAS may direct the licensed insurer to remove the key executive person, chairman or director, as the case may be, from his office, appointment or employment.

Financial Reporting Requirements

The Insurance (Accounts and Statements) Regulations 2004 sets forth various reporting requirements and prescribes the form in which the relevant statements of account and other statements of a licensed insurer are to be made.

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

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

Appointment of auditors

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

Actuaries

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

The MAS Circular on Stress Testing on Financial Condition of Direct Insurers sets out the stress testing requirements for both direct life and general insurers for the year ended December 31, 2013. Among other things, a direct insurer should ensure that its appointed actuary or certifying actuary, as the case may be, conducts each stress test for each relevant insurance fund, for the accounting period ending December 31, 2013, the financial and capital adequacy positions of the insurer under the base scenario and various short-term scenarios as specified in the MAS Circular. Senior management of the insurer should review the stress test report and respond to the management actions proposed by the actuary, and the senior management's stress test review, together with the stress test report, should be submitted to the board of directors, and documentary evidence of senior management's stress test review should be signed off by the chief executive and submitted to the MAS. An insurer incorporated in Singapore should submit to

the MAS an extract of the minutes of the board of directors' meeting detailing the deliberations made by the board of directors on the stress test report and any recommendations made on or arising out of the stress test report.

Public Disclosure

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

UNITED STATES BENEFIT PLAN INVESTOR CONSIDERATIONS

ERISA and Section 4975 of the Code impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include “plan assets” by reason of any such plan’s or arrangement’s investment therein (we refer to the foregoing, collectively, as “Plans”) and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans, or Non-ERISA Arrangements, are not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, but may be subject to other Similar Laws.

In addition to ERISA’s general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (we refer to the foregoing, collectively, as “parties in interest”) unless exemptive relief is available under ERISA or an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code, and the transaction may have to be rescinded. The Dealers may be parties in interest with respect to many Plans. It is possible that we or our current and future affiliates may be or become parties in interest with respect to Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between us and an investing Plan which would be prohibited if we are a party in interest with respect to the Plan unless exemptive relief was available under an applicable exemption.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the Notes, should consider the exemptive relief available under the following prohibited transaction class exemptions (“**PTCEs**”): (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the Notes and related lending transactions, provided that neither the party in interest nor its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a Note, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding the Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase and holding of such Notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any provision of any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan or Non-ERISA

Arrangement, consult with their counsel regarding the potential applicability of Title I of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

Each purchaser of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

TAXATION

The following summary of certain United States, Singapore and Australia income tax and EU Directive on the taxation of savings income consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States, Singapore and Australia income tax laws and EU Directive on the taxation of savings income to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

United States Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NOTEHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY OCBC BANK IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY OCBC BANK OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with initial purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, investors liable for the Medicare tax on net investment income, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less issued by OCBC Bank in Singapore. The U.S. federal income tax consequences of owning Notes with a longer term or issued by any branch of OCBC Bank outside of Singapore or any Specified Issuer will be discussed in the applicable Pricing Supplement.

As used herein, the term “**U.S. Holder**” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration

of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisor concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Characterization of the Notes

The characterization of a Series or Tranche of Notes may be uncertain and will depend on the terms of those Notes. The determination of whether an obligation represents debt, equity, or some other instrument or interest is based on all the relevant facts and circumstances. There may be no statutory, judicial or administrative authority directly addressing the characterization of some of the types of Notes that are anticipated to be issued under the Program or of instruments similar to the Notes.

Depending on the terms of a particular Series or Tranche of Notes, such Notes may not be characterized as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. For example, Notes of a Series or Tranche may be more properly characterized as equity, or as representing an undivided proportionate ownership interest in the assets of, and share of the liabilities of OCBC Bank. In particular, certain Series or Tranches of Notes (including, but not limited to, certain Subordinated Notes), because of their level of subordination, term until maturity, lack of a final maturity date, rights in the event of a default by OCBC Bank, the inclusion of any non-viability loss absorption provisions, and potentially their treatment for regulatory and other non-tax purposes, may be treated as equity in OCBC Bank for U.S. federal income tax purposes. Additional alternative characterizations may also be possible.

No rulings will be sought from the Internal Revenue Service (“IRS”) regarding the characterization of any of the Notes issued hereunder for U.S. federal income tax purposes. Each holder should consult its own tax advisor about the proper characterization of the Notes for U.S. federal income tax purposes and consequences to the holder of acquiring, owning or disposing of the Notes.

The discussion below applies only to Notes that are treated as debt for U.S. federal income tax purposes. The applicable Pricing Supplement or any supplement to this Offering Memorandum will, if relevant, specify if the discussion below will apply to a particular Series or Tranche of Notes. The U.S. federal income tax consequences of owning Notes that are not treated as debt for U.S. federal income tax purposes will be discussed, as appropriate, in the applicable Pricing Supplement or any supplement to this Offering Memorandum.

Payments of Interest

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount – General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by OCBC Bank on the Notes and OID, if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States.

Effect of Singapore Withholding Taxes

As discussed in “Singapore Taxation” below, under current law payments of interest in respect of the Notes may be subject to Singaporean withholding taxes. As discussed under “Terms and Conditions of the Notes – Taxation”, OCBC Bank may become liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Singaporean withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of Singaporean taxes withheld by OCBC Bank with respect to a Note, and as then having actually paid over the withheld taxes to the Singaporean taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from OCBC Bank with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Singaporean income taxes withheld by OCBC Bank. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets”, and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Interest and OID (defined below) generally will constitute foreign source income in the “passive category income” basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Singaporean taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Singaporean income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Singaporean income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the Singaporean taxes in the year those taxes are actually withheld by OCBC Bank. Prospective purchasers should consult their tax advisors concerning the foreign tax credit implications of the payment of these Singaporean taxes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (“**OID**”). The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event OCBC Bank issues contingent payment debt instruments the applicable Pricing Supplement or a supplement to this Offering Memorandum may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a “**Short-Term Note**”), will be treated as issued with OID (a “**Discount Note**”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “**installment obligation**”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest.” A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, OCBC Bank will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue

price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Original Issue Discount on Certain Notes with an Issuer Call Option

The rules governing the calculation of OID in the case of Notes where (i) interest is payable at more than one rate of interest during the life of Notes; and (ii) the Issuer has an option to call the Notes, are not entirely clear. The Issuer believes that the following paragraph is a reasonable interpretation of the application of the OID rules to such a Series or Tranche of Notes. However, there is no assurance that the IRS will agree with this treatment. Each U.S. Holder should consult its own tax adviser about the proper application of the OID rules to any such Series or Tranche of Notes.

In the case of Notes that provide for a fixed rate of interest up to the first call date, for the purpose of application of the OID rules, these Notes must be converted into an “equivalent” fixed rate debt instrument (as described under “Taxation – United States Taxation – Original Issue Discount – Variable Interest Rate Notes”). If, using the rates applicable on the issue date, the initial interest rate on the “equivalent” fixed rate debt instrument is less than the interest rate from the first call date through to the maturity date of the Notes, the Issuer will be presumed to call the Notes at the first call date and the general rules pertaining to OID would apply. If, using the rates applicable on the issue date, the initial interest rate on the “equivalent” fixed rate debt instrument is greater than the interest rate from the first call date through to the maturity date of the Notes, the Issuer will be presumed to extend the Notes at the first call date and the Notes should be treated as “variable rate debt instruments” that do not provide for stated interest at either a single qualified floating rate or a single objective rate (as described under “Taxation – United States Taxation – Original Issue Discount – Variable Interest Rate Notes”).

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “**acquisition premium**”) and that does not make the election described below under “Election to Treat All Interest as Original Issue Discount”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

OCBC Bank may, without the consent of the Noteholders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the "**IRS**"). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (“**Variable Interest Rate Notes**”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “**qualified floating rate**” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An “**objective rate**” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of OCBC Bank (or a related party) or that is unique to the circumstances of OCBC Bank (or a related party), such as dividends, profits or the value of OCBC Bank’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of OCBC Bank). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “**current value**” of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of OCBC Bank) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement or supplement to this Offering Memorandum.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as “**amortizable bond premium**”, in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note’s yield to maturity) to that year.

Any election to amortize bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Original Issue Discount – Election to Treat All Interest as Original Issue Discount”.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under “Original Issue Discount – General,” with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described above under “Notes Purchased at a Premium”) or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under “Original Issue Discount – Market Discount” to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisors concerning the propriety and consequences of this election.

Purchase, Sale and Retirement of Notes

A U.S. Holder’s tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “Original Issue Discount – Market Discount” or “Original Issue Discount – Short Term Notes” or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year).

Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss)

determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures.

Sale or Retirement

As discussed above under "Purchase, Sale and Retirement of Notes", a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (a) on the date of sale or retirement and (b) on the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments by a U.S. paying agent or other U.S. intermediary of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reportable Transactions

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

Foreign Financial Asset Reporting

U.S. taxpayers that own certain foreign financial assets, including debt of foreign entities, with an aggregate value in excess of U.S.\$50,000 at the end of the taxable year or U.S.\$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

U.S. Foreign Account Tax Compliance Withholding

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”) may impose a withholding tax of 30% on payments made to certain Noteholders that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS (“**IRS Agreements**”) (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an intergovernmental agreement entered into pursuant to FATCA (“**IGAs**”), may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from

all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Singapore) have entered into, or have announced their intention to enter into, IGAs (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. In the case of obligations that pay only “foreign passthru payments,” FATCA withholding may be applied on or after January 1, 2017 (at the earliest) in respect of “foreign passthru payments” and then, for “obligations” that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” or if such withholding will be required at all.

Whilst the Notes are in global form and held within Euroclear Bank or Clearstream (together, the “ICSDs”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent or the Common Depositary/Common Safekeeper, given that each of the entities in the payment chain is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA-compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register, (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in a supplement to this Offering Memorandum.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE NOTEHOLDERS IS SUBJECT TO CHANGE. EACH NOTEHOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Singapore Taxation

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the MAS in force as at the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on

the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Noteholders are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that neither OCBC Bank nor any other persons involved in the Program accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

In addition, the statements below are on the assumption that the Inland Revenue Authority of Singapore regards the Subordinated Notes containing non-viability loss absorption provisions as debt securities for the purposes of the Income Tax Act, Chapter 134 of Singapore (the "ITA") and eligible for the Qualifying Debt Securities Scheme. If any Tranche of the Subordinated Notes is not regarded as debt securities for the purposes of the ITA and/or Noteholders thereof are not eligible for the tax concessions under the Qualifying Debt Securities Scheme, the tax treatment to Noteholders may differ. Investors and Noteholders of any Tranche of the Subordinated Notes should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any Tranche of the Subordinated Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA the following payments are deemed to be derived from Singapore:

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

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 20%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

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

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

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

As the Program as a whole is arranged by an Approved Bond Intermediary (as defined in the ITA) prior to January 1, 2004, by Financial Sector Incentive (Bond Market) Company(ies) (as defined in the ITA) prior to January 1, 2014 and by Financial Sector Incentive (Bond Market) Companies, Financial Sector Incentive (Standard Tier) Companies or Financial Sector Incentive (Capital Market) Companies (as defined in the ITA) from January 1, 2014,² any Tranche of the Notes (“**Relevant Notes**”) issued or to be issued as debt securities under the Program during the period from the date of this Offering Memorandum to December 31, 2018 would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by the MAS on June 28, 2013 (the “**MAS Circular**”), “qualifying debt securities” (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (a) subject to certain prescribed conditions having been fulfilled (including the submission to the MAS and such other relevant authorities as may be prescribed, of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require and the inclusion by OCBC Bank in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively the “**Qualifying Income**”) from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax. “**Funds from Singapore operations**” means, in relation to a person, the funds and profits of that person’s operations through a permanent establishment in Singapore;

² Oversea-Chinese Banking Corporation Limited, which was an Approved Bond Intermediary (as defined in the ITA) prior to January 1, 2004 and is a Financial Sector Incentive (Bond Market) Company (as defined in the ITA) on and after January 1, 2004, to December 31, 2013 and is a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) on and after January 1, 2014 to December 31, 2018, J.P. Morgan (S.E.A) Limited, which is a Financial Sector Incentive (Bond Market) Company on and after January 1, 2011 to December 31, 2015 and Merrill Lynch (Singapore) Pte. Ltd., which is a Financial Sector Incentive (Bond Market) Company on and after January 1, 2010 to December 31, 2014, have been appointed as arrangers of the Program from the date of establishment of the Program.

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

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

Notwithstanding the foregoing:

- (a) if during the primary launch of any Tranche of Relevant Notes, the Relevant Notes of such Tranche are issued to fewer than four persons and 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of OCBC Bank, such Relevant Notes would not qualify as QDS; and
- (b) even though a particular Tranche of Relevant Notes are QDS, if, at any time during the tenure of such Tranche of Relevant Notes, 50% or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of OCBC Bank, Qualifying Income derived from such Relevant Notes held by:
 - (i) any related party of OCBC Bank; or
 - (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of OCBC Bank,

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

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

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

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

- (b) “**prepayment fee**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- (c) “**redemption premium**”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

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

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

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

- (a) are issued during the period from February 16, 2008 to December 31, 2018;
- (b) have an original maturity of not less than 10 years;
- (c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and
- (d) cannot be “re-opened” with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular Tranche of Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such Tranche of Relevant Notes, 50% or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of OCBC Bank, Qualifying Income from such Relevant Notes derived by:

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

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

The MAS Circular states that, with effect from June 28, 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. The MAS has also clarified that if such debt securities are subsequently redeemed prematurely pursuant to such

standard early termination clauses before the 10th year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus Scheme status of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and Noteholders thereof may still enjoy the tax benefits under the QDS Plus Scheme if the QDS conditions continue to be met.

The MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within 10 years of the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

Capital Gains

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

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

Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement” (“**FRS 39 Circular**”). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Noteholders who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisors regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

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

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States of the European Union are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to or for the benefit of an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out

of the withholding system in favor of an automatic exchange of information with effect from January 1, 2015. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Accordingly, to the extent that interest or other amounts are paid on the Notes by or through a person in the EU these reporting or withholding (as applicable) provisions may apply.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any other person would be obliged to pay additional amounts with respect to any Note, Receipt, Talon or Coupon as a result of the imposition of such withholding tax. The Issuer would be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain residual entities of a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain residual entities of those territories.

Australia Taxation

Notes issued by OCBC Bank other than through its Sydney branch or by a Specified Issuer which is not an Australian resident

*The following is a summary of the Australian withholding tax treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), at the date of this Offering Memorandum, of payments of interest on the Notes to be issued by OCBC Bank (other than through its Sydney branch) or by a Specified Issuer that is not an Australian resident nor otherwise carrying on business at or through a permanent establishment in Australia (each a “**non-Australian Issuer**”) under the Program and certain other tax matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of Noteholders (including, dealers in securities, custodians or other third parties who hold Notes on behalf of other persons).*

The summary is not intended to be, nor should it be construed as, legal or tax advice to any particular Noteholders. It is a general guide only and should be treated with appropriate caution. Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisors on the tax implications of an investment in the Notes for their particular circumstances.

Interest withholding tax

So long as a non-Australian Issuer continues to be a non-resident of Australia and the Notes issued by it are not attributable to a permanent establishment of that non-Australian Issuer in Australia, payments of principal and interest made under Notes issued by it should not be subject to Australian interest withholding tax.

Other tax matters

Under Australian laws as presently in effect:

- (a) *Death duties.* No Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.
- (b) *Stamp duty and other taxes.* No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes.
- (c) *Other withholding taxes on payments in respect of Notes.* So long as a non-Australian Issuer continues to be a non-resident of Australia and does not issue Notes in carrying on a business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the Australian Tax Act and Section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") should not apply to the non-Australian Issuer in connection with Notes issued by that non-Australian Issuer.
- (d) *Supply withholding tax.* Payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under Section 12-190 of Schedule 1 to the Taxation Administration Act, provided that a non-Australian Issuer does not issue the Notes, use the proceeds of Notes issued or make payments on the Notes in the course or furtherance of an enterprise carried on in Australia.
- (e) *Goods and services tax (GST).* Neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by that non-Australian Issuer nor the disposal of the Notes, would give rise to any GST liability in Australia.

Notes issued by the Sydney branch of OCBC Bank or an Australian-resident Specified Issuer

*The following is a summary of the Australian withholding tax treatment under the Australian Tax Act, at the date of this Offering Memorandum, of payments of interest (as defined in the Australian Tax Act) on Notes (the "**Australian Notes**") to be issued by either the Sydney branch of OCBC Bank or a Specified Issuer that is a resident of Australia (and which is not issuing the Notes through a branch outside of Australia) (each an "**Australian Issuer**") under the Program and certain other tax matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Australian Notes (including, dealers in securities, custodians or other third parties who hold Australian Notes on behalf of other persons).*

Prospective holders of Australian Notes should also be aware that particular terms of issue of any Series of Australian Notes may affect the tax treatment of that and other Series of Australian Notes.

This summary is not intended to be, nor should it be construed as, legal or tax advice to any particular holder of Australian Notes. It is a general guide only and should be treated with appropriate caution. Prospective holders of Australian Notes who are in any doubt as to their tax position should consult their professional advisors on the tax implications of an investment in the Australian Notes for their particular circumstances.

Interest withholding tax

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (“**IWT**”) is available, in respect of the Australian Notes issued by an Australian Issuer under Section 128F of the Australian Tax Act if the following conditions are met:

- (a) the Australian Issuer is a company as defined in Section 128F(9) (which includes certain companies acting as a trustee) and either a resident of Australia or a non-resident carrying on business at or through a permanent establishment in Australia when it issues those Australian Notes and when interest (as defined in Section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) those Australian Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Australian Issuer is offering those Australian Notes for issue. In summary, the five methods are:
 - (i) offers to 10 or more unrelated financiers or securities dealers;
 - (ii) offers to 100 or more investors;
 - (iii) offers of listed Australian Notes;
 - (iv) offers via publicly available information sources; and
 - (v) offers to a dealer, manager or underwriter who offers to sell those Australian Notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Australian Notes (whether in global form or otherwise) and the offering of interests in any of those Australian Notes by one of these methods should satisfy the public offer test;

- (c) the Australian Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Australian Notes or interests in those Australian Notes were being, or would later be, acquired, directly or indirectly, by an “**associate**” (as defined in Section 128F(9) of the Australian Tax Act) of the Australian Issuer, except as permitted by Section 128F(5) of the Australian Tax Act; and
- (d) at the time of the payment of interest, the Australian Issuer does not know, or have reasonable grounds to suspect, that the payee is an “**associate**” (as defined in Section 128F(9) of the Australian Tax Act) of the Australian Issuer, except as permitted by Section 128F(6) of the Australian Tax Act.

Compliance with Section 128F of the Australian Tax Act

Unless otherwise specified in any relevant supplement to this Offering Memorandum, the Australian Issuer intends to issue the Australian Notes in a manner which will satisfy the requirements of Section 128F of the Australian Tax Act.

The Australian Issuer intends to issue Australian Notes which will be characterized as both “debt interests” and “debentures” for the purposes of the Australian Tax Act.

Exemptions under recent tax treaties

The Australian government has signed or announced new or amended double tax conventions (“**New Treaties**”) with a number of countries (each a “**Specified Country**”) which contain certain exemptions from IWT.

In broad terms, once implemented the New Treaties effectively prevent IWT applying to interest derived by:

- (a) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; or
- (b) a “financial institution” which is a resident of a “Specified Country” and which is unrelated to and dealing wholly independently with the Australian Issuer. The term “**financial institution**” refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a listing of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation which is available to the public at the Federal Treasury’s Department’s website.

Notes in bearer form – Section 126 of the Australian Tax Act

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of (currently) 45% on the payment of interest on Australian Notes in bearer form if the Australian Issuer fails to disclose the names and addresses of the holders of the Australian Notes to the Australian Taxation Office.

Section 126 does not, however, apply to the payment of interest on Australian Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Australian Notes has satisfied the requirements of Section 128F of the Australian Tax Act or IWT is payable.

In addition, the Australian Taxation Office has confirmed that for the purpose of Section 126 of the Australian Tax Act, the holder of debentures (such as the Australian Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Australian Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in Australian Notes in bearer form are held through Euroclear, Clearstream, Luxembourg, CDP or the CMU, the Australian Issuer intends to treat the operators of those clearing systems as the holders of those Australian Notes for the purposes of Section 126 of the Australian Tax Act.

Payment of additional amounts

As set out in more detail in the terms and conditions for the Australian Notes that are Senior Notes (“**Australian Senior Notes**”), and unless expressly provided to the contrary in any relevant supplement to this Offering Memorandum), if the Australian Issuer is at any time compelled or authorized by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Australian Senior Notes, the Australian Issuer must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of those Australian Senior Notes after such deduction or withholding are equal to the respective amounts which would

have been received had no such deduction or withholding been required. If the Australian Issuer is compelled, as a result of any change in, or amendment to, any law to deduct or withhold an amount in respect of any withholding taxes, the Australian Issuer will have the option to redeem those Australian Senior Notes in accordance with the Conditions.

Other tax matters

Under Australian laws as presently in effect:

- (a) *Death duties.* No Australian Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (b) *Stamp duty and other taxes.* No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Notes;
- (c) *Supply withholding tax.* Payments in respect of the Australian Notes can be made free and clear of the “supply withholding tax” imposed under Section 12-190 of Schedule 1 to the Taxation Administration Act;
- (d) *Goods and services tax (GST).* Neither the issue nor receipt of the Australian Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by the Australian Issuer, nor the disposal of the Australian Notes, would give rise to any GST liability in Australia; and
- (e) *Garnishee Directions by the Commissioner of Taxation.* The Commissioner may give a direction requiring the Australian Issuer to deduct from any payment to a holder of the Australian Notes any amount in respect of Australian tax payable by the holder. If the Australian Issuer is served with such a direction, then the Australian Issuer will comply with that direction and make any deduction required by that direction.

PLAN OF DISTRIBUTION

Subject to the terms and on the conditions contained in an amended and restated program agreement dated April 3, 2014 (the "Program Agreement") between OCBC Bank, the Arrangers and the Dealers, the Notes will be offered on a continuous basis by the Issuer to the Dealers. The Notes may be reoffered and resold by the relevant Dealer at a price different from their issue price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as determined by the relevant Dealer. The Notes may also be sold by the Issuer through Dealers, acting as agents of the Issuer. The Program Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers. In the Program Agreement, OCBC Bank and any other Issuer that is not OCBC Bank have severally agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program. The Issuer may also from time to time agree with the relevant Dealer(s) that it may pay certain third parties commissions (including, without limitation, rebates to private banks). Further, the Issuer has agreed in the Program Agreement to reimburse the Dealers for certain of their expenses in connection with the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection with the offer and sale of the Notes. Except as otherwise indicated or as the context otherwise requires, references to "**Issuer**" in this "Plan of Distribution" refer to the issuer of a particular Tranche of Notes, including any Specified Issuer who has executed an accession letter agreeing to be bound by all the terms of the Program Agreement and a deed of accession agreeing to be bound by all the terms of the Agency Agreement and the Trust Deed.

In order to facilitate the offering of any Tranche of the Notes, one or more Dealers named as Stabilizing Managers (or persons acting on behalf of any Stabilizing Manager) in the relevant Pricing Supplement, to the extent permitted by applicable laws and regulations, may engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to whether such stabilization activities will take place at all or the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilization action may only be conducted outside Australia and on a market operated outside Australia.

Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Accordingly, purchasers who wish to trade Notes in the United States more than three business days prior to the relevant Issue Date will be required, by virtue of the fact that the Notes initially may settle beyond three business days after the trade date (T+3), to specify an alternate settlement cycle at

the time of any such trade to prevent a failed settlement. The settlement date of a series of Notes will be set out in the applicable Pricing Supplement. Purchasers who wish to trade the Notes more than three business days prior to the Issue Date should consult their own advisors. See “Clearing and Settlement – Pre-issue Trades Settlement for Registered Notes”.

Declaration of Interest

Oversea-Chinese Banking Corporation Limited is an Issuer and is also acting as an Arranger and a Dealer in respect of the Program.

The Dealers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Each of the Dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, for which they received or will receive customary fees and expenses. Without limiting the foregoing, Merrill Lynch (Asia Pacific) Limited, an affiliate of Merrill Lynch (Singapore) Pte. Ltd., has acted as a financial advisor to OCBC Bank in connection with OCBC Pearl’s pre-conditional voluntary general offer to acquire the entire issued share capital of WHB, as disclosed elsewhere in this Offering Memorandum.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with each Tranche of Notes issued under the Program, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. In connection with each Tranche of Notes issued under the Program, the Dealers or their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Rule 902(k) of Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and each further Dealer appointed under the Program will be required to represent and agree that, except as permitted by the Program Agreement, it has offered and sold the Notes of any Tranche, and will offer and sell the Notes of any Tranche (i) as part of their distribution at any time and (ii) otherwise until the expiration of 40 days after completion of the distribution of such Tranche as

determined, and such completion is certified to each relevant Dealer, by the Issuing and Paying Agent or, in the case of a syndicated issue of Notes, the lead manager, only in accordance with Rule 903 of Regulation S or (only as provided below) Rule 144A.

Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Issuing and Paying Agent or, in the case of a syndicated issue of Notes, the lead manager when it has completed the distribution of its portion of the Notes of any Tranche so that the Issuing and Paying Agent or, in the case of a syndicated issue of Notes, the lead manager may determine the completion of the distribution of all Notes of such Tranche and notify the other relevant Dealers of the end of the “distribution compliance period” (as defined in Regulation S). Each Dealer agrees that, at or prior to confirmation of a sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Rule 902(k) of Regulation S) (i) as part of their distribution at any time or (ii) otherwise until the expiration of 40 days after completion of the distribution of all Notes of the Tranche of which such Notes are a part as determined and certified by the relevant Dealer, in the case of a non-syndicated issue of Notes, or the lead manager, in the case of a syndicated issue of Notes, except in accordance with Regulation S or Rule 144A under the Securities Act.”

In addition, unless the Pricing Supplement or subscription agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “C Rules” or “not applicable” and except with respect to Notes for which the relevant Dealer and the Issuer agree, provided that such transaction is in accordance and compliance with applicable laws, that the following restrictions shall not apply, each Dealer has represented in relation to each Tranche of Bearer Notes that (terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules):

- (a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”), (i) it has not offered or sold, and during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (b) it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms

the representations contained in subparagraphs (a) to (c) above on behalf of such affiliate or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a) to (c) above; and

- (e) it has not, and agrees that it will not, enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the relevant Dealers, the representations contained in, and that party's agreement to comply with, the provisions of sub-paragraphs (a) to (d) above.

Notes issued pursuant to the D Rules (other than temporary Global Notes) and any receipts or coupons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

In addition, to the extent that the Pricing Supplement or the subscription agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §.1.163-5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules.

In connection with an offer or sale of any Notes in the United States or an offering in reliance on or pursuant to Regulation S, each Dealer has represented and agreed that it is (a) a "qualified institutional buyer" within the meaning of Rule 144A and an "accredited investor" within the meaning of Rule 501(a) under the Securities Act or (b) a non-U.S. person outside of the United States.

Notwithstanding anything above to the contrary, it is understood that Rule 144A Notes may be offered and sold in the United States, and in connection therewith each Dealer has represented and agreed that:

- (a) offers, sales, resales and other transfers of Notes made in the United States that are made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act;
- (b) offers, sales, resales and other transfers of Notes made in the United States will be made only to institutional investors that are reasonably believed to qualify as "qualified institutional buyers" within the meaning of Rule 144A;
- (c) no general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States;
- (d) such Dealer will deliver an Offering Memorandum to each "qualified institutional buyer" within the meaning of Rule 144A purchasing a Note or Notes from it pursuant to Rule 144A;

- (e) each Note sold in the United States shall contain a legend stating that such Note has not been, and will not be, registered under the Securities Act, that any resale or other transfer of such Note or any interest therein may be made only:
 - (i) to the Issuer or any subsidiary thereof;
 - (ii) to a qualified institutional buyer in a transaction which meets the requirements of Rule 144A;
 - (iii) outside the United States to a non-U.S. person pursuant to Regulation S under the Securities Act;
 - (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or
 - (v) pursuant to an effective registration statement under the Securities Act.

Any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out in (i) to (v) above shall not be recognized by the Issuer or any agent of the Issuer and shall be void.

Resale or secondary market transfer of Notes in the United States may be made in the manner and to the parties specified above and to qualified institutional buyers in transactions which meet the requirements of Rule 144A.

An issuance of index-, commodity-or currency-linked Notes may be subject to such additional U.S. selling restrictions as the relevant Dealer(s) may agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in sub-paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented to the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Dealer has acknowledged that the Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Sections 275(1A), or 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Australia

Each Dealer has represented, warranted and agreed that no prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Program or any Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**") or the securities exchange operated by ASX Limited (ABN 98 008 624 691) ("**ASX Limited**"). Each Dealer has represented and agreed that it:

- (a) has not offered, and will not offer for issue or sale and has not invited, and will not invite applications, for issue, or offers to purchase, the Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive information memorandum, advertisement or other offering material relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to the investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;

- (ii) the offer does not constitute an offer to a “retail client” for the purposes of Section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives; and
- (iv) such action does not require any document to be lodged with ASIC or ASX Limited.

In addition, in the event that the Sydney branch of OCBC Bank or a Specified Issuer that is a resident of Australia (and not issuing the Notes through a branch outside of Australia) (each an “**Australian Issuer**”) issues the Notes (the “**Australian Notes**”), the Dealer has represented, warranted and agreed that it will:

- (a) use reasonable endeavors to assist the Australian Issuer in ensuring that the Australian Notes are offered for sale in a manner which will allow payments of interest (as defined in Section 128A(1AB) of the Income Tax Assessment Act of 1936 of Australia (the “**Australian Tax Act**”)) on the Australian Notes to be exempt from Australian interest withholding tax under Section 128F of the Australian Tax Act and, in particular, will, within 30 days of any Australian Note being issued to it offer that Australian Note:
 - (i) to at least 10 persons, each of whom the employees of the Dealer involved in the sale do not know or suspect to be an “associate” (as defined in Section 128F(9) of the Australian Tax Act) of any of the other offerees, and each of whom carries on a business of providing finance, or investing or dealing in securities in the course of operating in financial markets; or
 - (ii) as a result of negotiations being initiated publicly in electronic form, or another form, that is used in financial markets for dealing in debentures which are similar to the Australian Notes;
- (b) provide such information:
 - (i) which is specified in any additional documentation negotiated and agreed in relation to a specific issue of the Australian Notes; or
 - (ii) which the Dealer is reasonably able to provide to enable the Australian Issuer to demonstrate the manner in which the Australian Notes were issued; and
 - (iii) otherwise provide, so far as it is reasonably able to do so, any other information relating to the issuance and distribution of the Australian Notes as may reasonably be required by the Australian Issuer in order to establish that payments of interest are exempt from withholding tax under Section 128F of the Australian Tax Act,

provided that in no circumstances shall the Dealer be obligated to disclose (1) the identity of any offeree or purchaser of any Australian Note or any information from which such identity would be capable of being ascertained, or (2) any information, the disclosure of which would be contrary to, or prohibited by, any relevant law, regulation or directive or confidentiality agreement or undertaking binding on the Dealer.

In addition, the Dealer has agreed that, in connection with the primary distribution of the Australian Notes, it will not sell the Australian Notes to any person if, at the time of such sale, the employees of the Dealer involved in the sale knew or had reasonable grounds to suspect that, as a result of such sale, any Australian Note or an interest in any Australian Note was being, or would later be, acquired (directly or indirectly) by an Offshore Associate of the Australian Issuer (other than an

Offshore Associate acting in the capacity of a dealer, manager or underwriter in relation to the placement of those Australian Notes or a clearing house, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act).

“Offshore Associate” means an “associate” (as defined in Section 128F(9) of the Australian Tax Act) that is either:

- (a) a non-resident of Australia that does not acquire the Australian Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Australian Notes in carrying on a business at or through a permanent establishment outside Australia.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

General

Other than with respect to the admission of the Notes to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

None of the Issuer, the Trustee or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

[OVERSEA-CHINESE BANKING CORPORATION LIMITED/SPECIFIED ISSUER]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Oversea-Chinese Banking Corporation Limited

U.S.\$10,000,000,000 Global Medium Term Note Program

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Memorandum dated April 3, 2014 [and the supplemental Offering Memorandum dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Memorandum [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Memorandum with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Memorandum dated April 3, 2014. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Memorandum dated April 3, 2014 [and the supplemental Offering Memorandum dated [●]], save in respect of the Conditions which are extracted from the Offering Memorandum dated April 3, 2014, and are attached hereto.]

[The following language applies if any tranche of the Notes is intended to be “qualifying debt securities” (as defined in the Income Tax Act, Chapter 134 of Singapore).]

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

[Insert the following language for an issue of AMTNs]

The Notes will be constituted by a deed poll (“**Note (AMTN) Deed Poll**”) dated July 5, 2011 executed by the Issuer and will be issued in certificated registered form by inscription on a register. The Notes are AMTNs for the purposes of the Offering Memorandum dated April 3, 2014 and the Conditions.

Notes will be offered in Australia only in the wholesale capital markets and on the basis that no disclosure to investors is required under Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

- 1 Issuer: [●]
- 2 (i) Series Number: [●]
- (ii) Tranche Number: [●]
- [(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate Principal Amount:
- (i) Series: [●]
- (ii) Tranche: [●]
- 5 (i) Issue Price: [●]% of the Aggregate Principal Amount [plus accrued interest from *[insert date]*] (*in the case of fungible issues only, if applicable*)
- (ii) [Net proceeds: [●] (*Required only for listed issues*)]
- 6 (i) Specified Denominations: [●]¹
- (ii) Calculation Amount: [●]
- 7 (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*specify a date/Issue Date/Not Applicable*]
- 8 Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]²

¹ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). If the Specified Denomination is expressed to be €100,000 or its equivalent and multiples of a lower nominal amount (for example €1,000), insert the following: “€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]”. If the Notes are AMTNs insert the following:

“Subject to the requirement that the amount payable by each person who subscribed for the Notes must be at least A\$500,000 (disregarding moneys lent by the Issuer or its associates).”.

² Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to specify the Interest Payment Date falling in or nearest to the relevant month and year.

- 9 Interest Basis: [[●]% Fixed Rate]
 [[specify reference rate] +/-[●]% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Credit Linked Redemption]
 [Equity Linked Redemption]
 [Bond Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Installment]
 [Other (specify)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
- 13 Listing: [SGX-ST/Other (specify)/None]
- 14 Status of Notes: [Senior/Subordinated]
- 15 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
 (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount³
- (iv) Broken Amount[(s)]: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on][●]

³ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "*Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Notes, to the nearest CNY0.01, CNY0.005 being rounded upwards or, in the case of Hong Kong dollar denominated Fixed Rate Notes, to the nearest HK\$0.01, HK\$0.005 being rounded upwards.*"

- (v) Day Count Fraction (Condition 4(l)): [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Interest Determination Date(s) (Condition 4(l)): [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA.]*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 17 Floating Rate Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Interest Period Date: [●] *(Not applicable unless different than Interest Payment Date)*
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (v) Business Center(s) (Condition 4(l)(v)): *(insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream, Luxembourg)*
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]): [●]
- (viii) Screen Rate Determination (Condition 4(b)(iii)(B)):
- Reference Rate: [●]
 - Interest Determination Dates: [●]
 - Relevant Screen Page: [●]

- (ix) ISDA Determination (Condition 4(b)(iii)(A)):
 - Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
- (x) Margin(s): [+/-] % per annum
- (xi) Minimum Rate of Interest: % per annum
- (xii) Maximum Rate of Interest: % per annum
- (xiii) Day Count Fraction (Condition 4(l)):
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different than those set out in the Conditions:

17A Singapore Dollar Notes: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Floating Rate Notes (Condition 4(n)(ii)):
 - Manner in which the Rate of Interest is to be determined: [SIBOR Notes/Swap Rate Notes/Variable Rate Notes/Other]
 - Calculation Amount: [Specify]
 - Denomination Amount: [Specify]
 - Interest Commencement Date: [Specify date(s)]
 - Interest Payment Date: [Specify date(s)]
 - Interest Period: [Specify]
 - Interest Determination Date: [[] Business Days in [Singapore] prior to [specify date(s)]]
 - Relevant Time: [11.00 a.m. (Singapore time)/Other]
 - Relevant Business Day: [Specify]
 - Spread: [Give details]
 - FRN Day Basis: [Specify]

- (ii) SIBOR Notes
(Condition 4(n)(ii)(B)(x)):
 - Screen Page: [Give details]
 - Reference Banks: [Specify]
 - (iii) Swap Rate Notes
(Condition 4(n)(ii)(B)(y)):
 - Discount/Premium: [Specify]
 - Other terms or special conditions: [Not applicable/give details]
 - (iv) Variable Rate Notes
(Condition 4(n)(iii)):
 - Interest Commencement Date: [Specify date(s)]
 - Interest Payment Date: [Specify date(s)]
 - Interest Period: [Specify dates]
 - Relevant Dealer: [Specify]
 - Other terms or special conditions: [Not applicable/give details]
 - (v) Calculation Agent: [Specify]
- 18 Zero Coupon Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortization Yield
(Condition 5(b)(i)(B)): [●]% per annum
 - (ii) Any other formula/basis of determining amount payable: [●]
- 19 Credit Linked Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
 - (ii) Calculation Agent responsible for calculating the Rate of Interest and/or Interest Amount(s) (if not the [Calculation Agent]): [●]

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
 - (iv) Determination Date(s): [●]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●]
 - (vi) Interest Period(s): [●]
 - (vii) Specified Interest Payment Dates: [●]
 - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
 - (ix) Business Center(s) (Condition 4(l)(v)): [●]
 - (x) Minimum Rate of Interest: [●]% per annum
 - (xi) Maximum Rate of Interest: [●]% per annum
 - (xii) Day Count Fraction (Condition 4(l)): [●]
- 20 **Equity Linked Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [Give or annex details]
 - (ii) Calculation Agent responsible for calculating the Rate of Interest and/or Interest Amount(s) (if not the [Calculation Agent]): [●]
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
 - (iv) Determination Date(s): [●]

- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●]
 - (vi) Interest Period(s): [●]
 - (vii) Specified Interest Payment Dates: [●]
 - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
 - (ix) Business Center(s) (Condition 4(l)(v)): [●]
 - (x) Minimum Rate of Interest: [●]% per annum
 - (xi) Maximum Rate of Interest: [●]% per annum
 - (xii) Day Count Fraction (Condition 4(l)): [●]
- 21 Bond Linked Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [Give or annex details]
 - (ii) Calculation Agent responsible for calculating the Rate of Interest and/or Interest Amount(s) (if not the [Calculation Agent]): [●]
 - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
 - (iv) Determination Date(s): [●]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●]
 - (vi) Interest Period(s): [●]

- (vii) Specified Interest Payment Dates: [●]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (ix) Business Center(s) (Condition 4(l)(v)): [●]
- (x) Minimum Rate of Interest: [●]% per annum
- (xi) Maximum Rate of Interest: [●]% per annum
- (xii) Day Count Fraction (Condition 4(l)): [●]
- 22 **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Index/Formula: [*Give or annex details*]
- (ii) Calculation Agent responsible for calculating the Rate of Interest and/or Interest Amount(s) (if not the [Calculation Agent]): [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest Period(s): [●]
- (vii) Specified Interest Payment Dates: [●]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (ix) Business Center(s) (Condition 4(l)(v)): [●]

- (x) Minimum Rate of Interest: [●]% per annum
- (xi) Maximum Rate of Interest: [●]% per annum
- (xii) Day Count Fraction (Condition 4(l)): [●]
- 23 Dual Currency Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 24 Call Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●] *(in the case of Subordinated Notes, insert First Call Date and each Interest Payment Date after the First Call Date)*
- (ii) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): [●] per Note of [●] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 25 Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period [●]
- 26 **Variation instead of Redemption (Condition 5(h))** [Applicable/Not Applicable]
(*Only relevant for Subordinated Notes*)
- 27 **Final Redemption Amount of each Note** [●] per Calculation Amount
- 28 **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 5(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different than that set out in the Conditions): [●]

PROVISIONS RELATING TO LOSS ABSORPTION

- 29 Loss Absorption Option: Write-off on a Trigger Event (Condition 6(b)): [Applicable/Not Applicable]
(*Only relevant for Subordinated Notes*)
- 30 Loss Absorption Option: Conversion: [Applicable – See Appendix/Not Applicable]
(*Only relevant for Subordinated Notes*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 31 Form of Notes: **[Bearer Notes:]**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes/Certificates in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000". In addition, the "limited circumstances specified in the Permanent Global Note" option may have to be amended to permit such Specified Denomination construction. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Registered Notes:]

[Regulation S Global Note (U.S.\$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]]

[Rule 144A Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]]

[If the Notes are AMTNs insert the following:

The Notes are AMTNs, as referred to in the Offering Memorandum and will be issued in registered certificated form, constituted by the Note (AMTN) Deed Poll and take the form of entries on a register to be maintained by the Australian Agent (as defined below). Copies of the Note (AMTN) Deed Poll are available from the Australian Agent at its principal office in Sydney.]

32 Financial Center(s) (Condition 7(j)) or other special provisions relating to Payment Dates:

[Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(v) and 19(ix) relate] (insert New York City for U.S. dollar denominated Notes to be held through DTC)

33 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

- 34 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
- 35 Details relating to Installment Notes: amount of each Installment, date on which each payment is to be made: [Not Applicable/*give details*]
- 36 Redenomination, renominialization and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] apply]
- 37 Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement apply]]
- 38 Other terms or special conditions: [Not Applicable/*give details including, if any, conversion loss absorption option to be set out in the Appendix to the Pricing Supplement*]

DISTRIBUTION

- 39 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilizing Manager (if any): [Not Applicable/*give name*]
- 40 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 41 Whether TEFRA D or TEFRA C was applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable (for Bearer Notes with a maturity of one year or less or Registered Notes)]⁴
- 42 Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

- 43 ISIN Code: [●]
- 44 Common Code: [●]
- 45 CUSIP: [●]
- 46 CMU Instrument Number: [●]
- 47 Any clearing system(s) other than CDP, the CMU, the Australian System, Euroclear S.A./N.V. and Clearstream, Luxembourg and/or DTC and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

⁴ Where TEFRA D is applicable, a Bearer Note must be issued in the form of a Temporary Global Note exchangeable upon a U.S. tax certification for a Permanent Global Note or a Definitive Note.

- 48 Delivery: Delivery [against/free of] payment
- 49 Additional Paying Agent(s) (if any): [●]
 [If the Notes are AMTNs, insert the following:
 BTA Institutional Services Australia Limited (ABN 48 002 916 396) has been appointed under the Agency and Registry Services Agreement dated July 5, 2011 as issuing and paying agent and registrar (“**Australian Agent**”) in respect of the Notes. The Australian Agent’s address is Level 2, 35 Clarence Street, Sydney NSW 2000, Australia]
- 50 The Agents appointed in respect of the Notes are: [●]

GENERAL INFORMATION

- 51 The aggregate principal amount of Senior Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of Senior Notes not denominated in U.S. dollars: [Not Applicable/U.S.\$[●]]
- 52 Governing law of Notes: [English[, save that the provisions of the subordination, set-off and payment void, default and enforcement Conditions in Condition 3(b), Condition 3(c), Condition 3(d), Condition 10(b)(ii) and Condition 10(b)(iii) are governed by, and shall be construed in accordance with, Singapore law]/Singapore/New South Wales, Australia]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for the issue and admission to trading on the [specify relevant stock exchange/market] of the Notes described herein pursuant to the U.S.\$10,000,000,000 Global Medium Term Note Program of Oversea-Chinese Banking Corporation Limited.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: _____
 Duly authorized

[By: _____
 Duly authorized]*

[* Two signatories required where the Issuer is Oversea-Chinese Banking Corporation Limited.]

CLEARING AND SETTLEMENT

The following is a summary of the rules and procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU, DTC and Austraclear System (together, the “Clearing Systems”), currently in effect, as they relate to clearing and settlement of transactions involving the Notes. The rules and procedures of these systems are subject to change at any time. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arrangers, any Dealer nor any party to the Agency Agreement and the Singapore Supplemental Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable Pricing Supplement will specify the Clearing System(s) and/or clearing system(s) applicable for each Series.

The Clearing Systems

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds and provides assets servicing for securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants (“**Direct Participants**”), which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the

books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other nominee as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Certificate, will be legended as set forth under "Transfer Restrictions".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Each of Euroclear and Clearstream, Luxembourg holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

The CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Service Reference Manual as capable of being held within the CMU. The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear and Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

CDP

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP. CDP, a wholly-owned subsidiary of Singapore Exchange, is

incorporated under the laws of Singapore and acts as a depository and clearing organization. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP. In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a global note for persons holding the Notes in securities accounts with CDP (“**Depositors**”). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors (“**Depository Agents**”) approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities. Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, the CDP Paying Agent nor any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Book-Entry Ownership

This section does not apply to AMTNs.

Bearer Notes

We will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. We may also apply to have Bearer Notes accepted for clearance through the CMU or CDP. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depository for Clearstream, Luxembourg and Euroclear and/or a sub-custodian for the CMU or CDP. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or the CMU or CDP. Each Global Note will have an ISIN and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

Registered Notes

We will make applications to Clearstream, Luxembourg and Euroclear and we may make applications to the CMU or CDP for acceptance in their respective book-entry systems in respect of the Unrestricted Notes to be represented by each Unrestricted Global Certificate. Each Unrestricted Global Certificate will have an ISIN and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

We will make applications to DTC for acceptance in its book-entry settlement system of the Unrestricted Notes and/or the Restricted Notes represented by each Global Certificate. Each Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Certificate, as set out under “Transfer Restrictions”. In certain circumstances, as described below in “Transfers of Registered Notes”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Global Certificates are deposited (the “**Custodian**”) and DTC will electronically record the nominal amount of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Certificate, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments of the principal of, and interest on, each Global Certificate registered in the name of DTC’s nominee will be to or to the order of its nominee as the registered owner of such Global Certificate. We expect that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Certificate as shown on the records of DTC or the nominee. We also expect that payments by DTC participants to owners of beneficial interests in such Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither we nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Pricing Supplement, and, in the case of Restricted Notes, in amounts of U.S.\$200,000 (or its equivalent in other currencies), or higher integral multiples of U.S.\$1,000 (or its equivalent in other currencies), in certain limited circumstances described below.

Individual Certificates

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or a sub-custodian for the CMU or for CDP or for DTC will not be permitted unless (i) in the case of Restricted Notes, DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate, or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Notes, Clearstream, Luxembourg or Euroclear is or a sub-custodian for CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so or, if such Global Certificate is held on behalf of CDP, and there shall have occurred and be continuing an Event of Default or Default or CDP is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise), or CDP announces an intention permanently to cease business and no

Alternative Clearing System is available or CDP has notified us that it is unable or unwilling to act as depository for the Notes and to continue performing its duties under the Master Depository Services Agreement and no Alternative Clearing System is available or (iii) we provide our consent. In such circumstances, we will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (a) a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and
- (b) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Clearstream, Luxembourg, Euroclear, DTC, the CMU and CDP will be effected in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may be held only through CDP, Clearstream, Luxembourg or Euroclear. In the case of Registered Notes to be cleared through Clearstream, Luxembourg, Euroclear and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in "Plan of Distribution") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be (based on a written certificate from the transferor of such interest), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent and receipt by the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series of Registered Notes, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement day three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian and the Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions”.

DTC will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. Neither we, the Issuing and Paying Agent, the CDP Paying Agent, the CMU Lodging and Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Pre-Issue Trades Settlement for Registered Notes

For further information on settlement procedures of Registered Notes, see “Plan of Distribution”.

The Austraclear System

Each Tranche of AMTNs will be represented by a single AMTN Certificate substantially in the form set out in the Note (AMTN) Deed Poll. We shall issue and deliver, and procure the authentication by the Australian Agent of, such number of AMTNs Certificates as are required from time to time to represent all of the AMTNs of each Series. An AMTN Certificate is not a negotiable instrument nor is it a document of title in respect of any AMTNs it represents. In the event of a conflict between any AMTN Certificate and the Register, the Register shall prevail (subject to correction for fraud or proven error).

On issue of any AMTNs, we will (unless otherwise specified in the applicable Pricing Supplement) procure that the AMTNs are lodged with the Austraclear System. On lodgment, Austraclear will become the sole registered holder and legal owner of the AMTNs. Subject to the Austraclear System Regulations, participants of the Austraclear System (“**Accountholders**”) may acquire rights against Austraclear in relation to those AMTNs as beneficial owners and Austraclear is required to deal with the AMTNs in accordance with the directions and instructions of the Accountholders. Any potential investors who are not Accountholders would need to hold their interest in the relevant AMTNs through a nominee who is an Accountholder. All payments by us in respect of AMTNs entered in the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear System Regulations.

Holding of AMTNs through Euroclear and Clearstream, Luxembourg

Once lodged with the Austraclear System, interests in the AMTNs may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the AMTNs in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear, while entitlements in respect of holdings of interests in the AMTNs in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank N.A., as custodian for Clearstream, Luxembourg.

The rights of a holder of interests in AMTNs held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations of Euroclear and Clearstream, Luxembourg, the arrangements between Euroclear and Clearstream, Luxembourg and their respective nominees and the Austraclear System Regulations.

Transfers

Any transfer of AMTNs will be subject to the Australian Corporations Act and the other requirements set out in the terms and conditions of the AMTNs and, where the AMTNs are entered in the Austraclear System, the Austraclear System Regulations.

Secondary market sales of AMTNs settled in the Austraclear System will be settled in accordance with the Austraclear System Regulations.

Relationship of Accountholders with Austraclear System

Accountholders who acquire an interest in AMTNs lodged with the Austraclear System must look solely to Austraclear for their rights in relation to such AMTNs and will have no claim directly against the Issuer in respect of such AMTNs although under the Austraclear System Regulations, Austraclear may direct the Issuer to make payments direct to the relevant Accountholders.

Where Austraclear is registered as the holder of any AMTNs that is lodged with the Austraclear System, Austraclear may, where specified in the Austraclear System Regulations, transfer the AMTNs to the person in whose Security Record (as defined in the Austraclear System Regulations) those AMTNs are recorded and, as a consequence, remove those AMTNs from the Austraclear System.

Potential investors in AMTNs should inform themselves of, and satisfy themselves with, the Austraclear System Regulations and (where applicable) the rules of Euroclear and Clearstream, Luxembourg and the arrangements between them and their nominees in the Austraclear System.

AMTNs lodged with the Austraclear System will be transferable only in accordance with the rules and regulations (in force from time to time) of the Austraclear System. The transferor of an AMTN is deemed to remain the holder of such AMTN until the name of the transferee is entered in the Register in respect of such AMTN.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

- (i) it is (a) a QIB, (b) acquiring such Restricted Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A;
- (ii) it understands that such Restricted Notes have not been and will not be registered under the Securities Act and any other applicable U.S. state securities laws and (a) may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States; (b) the purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of such Restricted Notes from it of the resale restrictions referred to in (a) above; and (c) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of the Notes.
- (iii) it understands that such Restricted Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THE NOTE EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A;

- (iv) it understands that any Restricted Notes, unless OCBC Bank determines otherwise in compliance with applicable law, will bear a legend to the following effect:

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS SUCH NOTE, EITHER (X) IT IS NOT (1) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"),

AND SUBJECT TO TITLE I OF ERISA, (2) A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), AND SUBJECT TO SECTION 4975 OF THE CODE, (3) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” BY REASON OF INVESTMENT BY ANY OF THE FOREGOING IN THE ENTITY, OR (4) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (Y) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR LAW). ANY PURPORTED TRANSFER OF THIS NOTE, OR ANY INTEREST THEREIN TO A PURCHASER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS WILL BE OF NO FORCE AND EFFECT AND SHALL BE NULL AND VOID *AB INITIO*.

- (v) either (a) it is neither an “employee benefit plan” as defined in ERISA, and subject to Title I of ERISA, a “plan” as defined in Section 4975(e)(1) of the Code, and subject to Section 4975 of the Code, nor any entity whose underlying assets include “plan assets” by reason of such plan’s investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation of any substantially similar law). Any purported transfer of a Note, or any interest therein to a purchaser or transferee that does not comply with the above requirements will be of no force and effect and shall be null and void *ab initio*.
- (vi) it understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (vii) it acknowledges that OCBC Bank, the Registrar, any Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Additional transfer restrictions may be set forth in the applicable Pricing Supplement with respect to a particular Tranche of a Registered Series.

Unrestricted Notes

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the Distribution Compliance Period (as defined in “Plan of Distribution”), by accepting delivery of this Offering Memorandum and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT;

- (iv) it understands that any Notes, unless OCBC Bank determines otherwise in compliance with applicable law, will bear a legend to the following effect:

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT, AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS SUCH NOTE, EITHER (X) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), AND SUBJECT TO TITLE I OF ERISA, A PLAN AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), AND SUBJECT TO SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” BY REASON OF INVESTMENT BY ANY OF THE FOREGOING IN THE ENTITY, OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (Y) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR LAW). ANY PURPORTED TRANSFER OF THIS NOTE, OR ANY INTEREST THEREIN TO A PURCHASER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS WILL BE OF NO FORCE AND EFFECT AND SHALL BE NULL AND VOID AB INITIO.

- (v) either (a) it is neither an “employee benefit plan” as defined in ERISA, and subject to Title I of ERISA, a “plan” as defined in Section 4975(e)(1) of the Code, and subject to Section 4975 of the Code, nor any entity whose underlying assets include “plan assets” by reason of such plan’s investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation of any substantially similar law). Any purported transfer of a Note, or any interest therein to a purchaser or transferee that does not comply with the above requirements will be of no force and effect and shall be null and void ab initio.

- (vi) it understands that the Unrestricted Notes offered in reliance on Regulation S may be represented by an Unrestricted Global Certificate. Prior to the expiration of the Distribution Compliance Period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

- (vii) OCBC Bank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Additional transfer restrictions may be set forth in the applicable Pricing Supplement with respect to a particular Tranche of a Registered Series.

LEGAL MATTERS

Legal matters in connection with the issue and sale of the Notes offered hereby will be passed upon for OCBC Bank by (i) Allen & Gledhill LLP, legal advisor to OCBC Bank, with respect to certain matters of Singapore law, (ii) Linklaters Singapore Pte. Ltd., legal advisor to OCBC Bank, with respect to certain matters of English law and the federal laws of the United States and (iii) King & Wood Mallesons, legal advisor to OCBC Bank, with respect to certain matters of Australian law. The Arrangers are being represented by Sidley Austin LLP as to certain matters of English law and the federal laws of the United States.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2011 and 2012 which are incorporated by reference into this Offering Memorandum, and as of and for the year ended December 31, 2013 which are included in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as set forth in their reports incorporated by reference herein.

GENERAL INFORMATION

- (1) We have obtained and each Specified Issuer will obtain all necessary consents, approvals and authorizations in connection with the establishment of the Program or issue of Notes issued by it, as applicable.
- (2) We have not been involved in, and are not aware of, any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes.
- (3) Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (4) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are entities in charge of keeping the records) and CDP. We may also apply to have Notes accepted for clearance through the CMU. The relevant CMU Instrument Number will be set out in the applicable Pricing Supplement. The Common Code and the International Securities Identification Number ("**ISIN**") for each Series of Notes will be set out in the applicable Pricing Supplement. In addition, we will make an application with respect to each Series of Registered Notes intended to be eligible for sale pursuant to Rule 144A for such Notes to be accepted for trading in book entry form by DTC. Acceptance of each Series and the relevant Committee on the Uniform Security Identification Procedure (CUSIP) number applicable to a Series will be set out in the applicable Pricing Supplement.
- (5) We will apply to have the AMTNs accepted for clearance through the Austraclear System. AMTNs which are held on the Austraclear System will be registered in the name of Austraclear. The Common Code and the ISIN for each Series of AMTNs will be set out in the applicable Pricing Supplement.
- (6) For so long as Notes may be issued pursuant to this Offering Memorandum, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at our registered office:
 - (i) the Agency Agreement and the Singapore Supplemental Agency Agreement;
 - (ii) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Global Certificates, the Certificates, the Coupons, the Receipts and the Talons) and the Singapore Supplemental Trust Deed;
 - (iii) the Note (AMTN) Deed Poll in respect of AMTNs;
 - (iv) the Australian Agency Agreement in respect of AMTNs;
 - (v) the Deeds of Accession signed by each Specified Issuer;
 - (vi) our Memorandum and Articles of Association and the Memorandum and Articles of Association of each Specified Issuer;
 - (vii) our latest audited financial statements and latest interim financial statements;
 - (viii) each Pricing Supplement for Notes that are listed on any stock exchange; and
 - (ix) a copy of this Offering Memorandum together with any supplemental Offering Memorandum or further Offering Memorandum.

- (7) Copies of the Trust Deed, the Singapore Supplemental Trust Deed, the Agency Agreement, Singapore Supplemental Agency Agreement, the Note (AMTN) Deed Poll and the Australian Agency Agreement will be available for inspection, at the principal office of the Trustee and at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- (8) KPMG LLP (Public Accountants and Chartered Accountants) has audited, and rendered an unqualified audit report on, the accounts of OCBC Bank for the year ended December 31, 2013.

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* The Directors' Report and the Statement by Directors are attached and do not form part of the financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore. Registration Number: 193200032W)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

OVERSEA-CHINESE BANKING CORPORATION LIMITED
(Incorporated in Singapore. Registration Number: 193200032W)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

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OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2013.

Directors

The directors of the Bank in office at the date of this report are as follows:

Cheong Choong Kong, Chairman
Bobby Chin Yoke Choong
David Philbrick Conner
Fang Ai Lian
Lai Teck Poh
Lee Seng Wee
Lee Tih Shih
Ooi Sang Kuang
Quah Wee Ghee
Pramukti Surjajudaja
Tan Ngiap Joo (appointed on 2 September 2013)
Teh Kok Peng
Samuel N. Tsien (appointed on 13 February 2014)
Wee Joo Yeow (appointed on 2 January 2014)

Mrs Fang Ai Lian and Dr Teh Kok Peng retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Mr Bobby Chin Yoke Choong, who retires pursuant to Articles 95 and 96 of the Articles of Association of the Bank, has expressed his wish to retire at this forthcoming annual general meeting and will not offer himself for re-election.

Mr Tan Ngiap Joo, Mr Wee Joo Yeow and Mr Samuel N. Tsien, who were appointed to the Board under Article 101 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

Dr Cheong Choong Kong and Mr Lee Seng Wee retire pursuant to section 153 of the Companies Act, Cap. 50. Resolutions will be proposed for their re-appointment under section 153(6) of the said Act to hold office until the next annual general meeting of the Bank.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object is to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this report.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

Directors' interests in shares or debentures

According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interests in the share capital of the Bank and its related corporation, as follows:

	Direct interest		Deemed interest	
	At 31.12.2013	At 1.1.2013/Date of appointment	At 31.12.2013	At 1.1.2013/Date of appointment
BANK				
<i>Ordinary shares</i>				
Cheong Choong Kong	584,373	378,373	10,831 ⁽¹⁾	10,831 ⁽¹⁾
Bobby Chin Yoke Choong	40,917	34,917	45,130 ⁽¹⁾	45,130 ⁽¹⁾
David Philbrick Conner	2,853,064	2,402,515	801,899 ⁽²⁾	1,180,742 ⁽²⁾
Fang Ai Lian	74,671	68,671	–	–
Lai Teck Poh	599,266	554,824	–	14,442 ⁽²⁾
Lee Seng Wee	7,537,454	7,531,454	4,401,409 ⁽¹⁾	4,401,409 ⁽¹⁾
Lee Tih Shih	2,695,860	2,689,860	–	–
Neo Boon Siong ⁽³⁾	46,332	40,332	–	–
Ooi Sang Kuang	5,163	–	–	–
Quah Wee Ghee	5,868	–	473 ⁽¹⁾	473 ⁽¹⁾
Pramukti Surjajudaja	24,561	18,561	–	–
Tan Ngiap Joo	830,912	830,912	–	–
Teh Kok Peng	395,506	389,506	–	–
<i>5.1% Class B non-cumulative non-convertible preference shares⁽⁴⁾</i>				
Fang Ai Lian	–	1,700	–	–
Lai Teck Poh	–	2,500	–	–
Quah Wee Ghee	–	–	–	1,000 ⁽¹⁾
<i>4.2% Class G non-cumulative non-convertible preference shares</i>				
Cheong Choong Kong	15,000	15,000	–	–
Bobby Chin Yoke Choong	–	–	8,227 ⁽¹⁾	8,227 ⁽¹⁾
David Philbrick Conner	50,000	50,000	–	–
Lee Seng Wee	800,000	800,000	600,000 ⁽¹⁾	600,000 ⁽¹⁾
Lee Tih Shih	240,000	240,000	–	–
Teh Kok Peng	40,000	40,000	–	–
OCBC Capital Corporation				
<i>3.93% non-cumulative non-convertible guaranteed preference shares</i>				
Tan Ngiap Joo	–	–	2,500 ⁽¹⁾	2,500 ⁽¹⁾
OCBC Capital Corporation (2008)				
<i>5.1% non-cumulative non-convertible guaranteed preference shares</i>				
Cheong Choong Kong	10,000	10,000	–	–
Lee Tih Shih	10,000	10,000	–	–
Quah Wee Ghee	–	–	2,100 ⁽¹⁾	2,100 ⁽¹⁾

⁽¹⁾ Ordinary shares/preference shares held by spouse.

⁽²⁾ Ordinary shares under OCBC Deferred Share Plan.

⁽³⁾ Professor Neo Boon Siong resigned from the Board of Directors of the Bank on 31 December 2013.

⁽⁴⁾ All of the 5.1% Class B non-cumulative non-convertible preference shares were fully redeemed on 29 July 2013.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

None of the directors holding office at the end of the financial year have direct or deemed interest in the 4.0% Class M non-cumulative non-convertible preference shares of the Bank.

Save as disclosed above, no director had any interest in shares in, or debentures of, the Bank or any of its related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

In respect of the directors holding office as at the end of the financial year and as at 21 January 2014, there were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2014. Professor Neo Boon Siong resigned from the Board of Directors of the Bank on 31 December 2013. Mr Wee Joo Yeow, who was appointed as a director of the Bank on 2 January 2014, had the following interests in the Bank's shares as at 21 January 2014:

	Direct interest	Deemed interest
	At 21.1.2014	At 21.1.2014
Ordinary shares	20,000	4,008⁽¹⁾

⁽¹⁾ Held by spouse.

Directors' contractual benefits

Since the end of the previous financial year, no director has received, or become entitled to receive, benefits by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in this report, or in the financial statements of the Company and of the Group.

Share-based compensation plans

The Bank's share-based compensation plans are administered by the Remuneration Committee, which comprises:

Fang Ai Lian, Chairman
Cheong Choong Kong
Bobby Chin Yoke Choong
Lee Tih Shih
Ooi Sang Kuang
Teh Kok Peng

Dr Cheong Choong Kong did not participate in any deliberation or decision in respect of options granted to him.

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

Share-based compensation plans (continued)

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme

The OCBC Share Option Scheme 2001 ("2001 Scheme"), which was implemented in 2001, had been extended for another 10 years from 2011 to 2021, as approved by the shareholders. Executives of the Group ranked Manager and above (including executive and non-executive directors), are eligible for this scheme. The Bank will either issue new shares or transfer treasury shares to the executives upon their exercise of options.

Particulars of Options 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2008, 2008NED, 2009, 2009NED, 2010, 2010NED, 2011, 2011NED, 2012 and 2012NED were set out in the Directors' Reports for the financial years ended 31 December 2003 to 2012.

During the financial year, pursuant to the 2001 Scheme, options to acquire 9,546,759 ordinary shares at \$10.302 per ordinary share were granted to 136 eligible executives of the Group ("2013 Options"), as well as to a non-executive director of the Bank ("2013NED Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately prior to the date when the offer to grant an option was made to a grantee.

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2013 are as follows:

Options	Exercise period	Acquisition price (\$)	Options exercised	Treasury shares transferred	At 31.12.2013	
					Outstanding	Exercisable
2003	28.03.2004 to 26.03.2013	4.067	2,327,811	2,292,771	–	–
2004	16.03.2005 to 14.03.2014	5.142	721,275	720,613	1,331,592	1,331,592
2004A	20.08.2005 to 18.08.2014	5.492	40,000	40,000	100,800	100,800
2004B	23.11.2005 to 21.11.2014	5.667	103,200	103,200	–	–
2005	15.03.2006 to 13.03.2015	5.767	977,954	975,329	1,849,191	1,849,191
2005A	09.04.2006 to 07.04.2015	5.784	104,600	104,600	122,800	122,800
2006	15.03.2007 to 13.03.2016	6.820	878,850	875,220	1,552,042	1,552,042
2006B	24.05.2007 to 22.05.2016	6.580	83,000	83,000	209,000	209,000
2007	15.03.2008 to 13.03.2017	8.590	222,642	222,642	2,488,141	2,488,141
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	445,000
2007B	15.03.2008 to 13.03.2017	8.590	200,000	191,999	227,000	227,000
2008	15.03.2009 to 13.03.2018	7.520	837,548	817,494	2,731,355	2,731,355
2008NED	15.03.2009 to 13.03.2013	7.520	200,000	200,000	–	–
2009	17.03.2010 to 15.03.2019	4.138	423,057	417,806	2,057,748	2,057,748
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	162,958
2010	16.03.2011 to 14.03.2020	8.762	474,288	462,196	2,106,959	2,106,959
2010NED	16.03.2011 to 14.03.2015	8.762	–	–	233,727	233,727
2011	15.03.2012 to 13.03.2021	9.350	190,817	180,953	2,057,283	1,292,396
2011NED	15.03.2012 to 13.03.2016	9.350	–	–	326,302	215,358
2012	15.03.2013 to 13.03.2022	8.798	212,009	208,712	4,293,123	1,287,356
2012NED	15.03.2013 to 13.03.2017	8.798	–	–	340,924	112,504
2013	15.03.2014 to 13.03.2023	10.302	–	–	8,992,204	–
2013NED	15.03.2014 to 13.03.2018	10.302	–	–	452,025	–
			7,997,051	7,896,535	32,080,174	18,525,927

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

Share-based compensation plans (continued)

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible for the ESP Plan. Particulars of the ESP Plan were set out in the Directors' Report for the financial year ended 31 December 2007.

At an extraordinary general meeting held on 17 April 2009, alterations to the ESP Plan were approved to enable two (but not more than two) Offering Periods to be outstanding on any date. Since each Offering Period currently consists of a 24-month period, these alterations will enable the Bank to prescribe Offering Periods once every 12 months (instead of once every 24 months as was previously the case).

In June 2013, the Bank launched its eighth offering of ESP Plan, which commenced on 1 July 2013 and will expire on 30 June 2015. Under the eighth offering, 6,068 employees enrolled to participate in the ESP Plan to acquire 7,432,261 ordinary shares at \$9.92 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Total awards of 3,663,801 ordinary shares (including 41,990 ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2013. In addition, total awards of 322,669 ordinary shares (including 25,438 ordinary shares to a director of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2012 and interim dividend for financial year ended 31 December 2013. During the financial year, 5,079,377 deferred shares were released to grantees, of which 460,713 deferred shares were released to directors of the Bank.

Changes in the number of options under the 2001 Scheme held by directors for the financial year under review are as follows:

Name of director	Options granted to acquire ordinary shares for the financial year ended 31.12.2013	Aggregate number of options granted since commencement of scheme to 31.12.2013	Aggregate number of options exercised/lapsed since commencement of scheme to 31.12.2013	Aggregate number of options outstanding at 31.12.2013
Cheong Choong Kong	452,025	2,430,736	400,000	2,030,736
David Philbrick Conner	–	4,565,000	3,564,000	1,001,000
Lai Teck Poh	–	555,000	288,000	267,000
Tan Ngiap Joo	–	806,000	480,000	326,000

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2014.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Fang Ai Lian, Chairman
Tan Ngiap Joo
Teh Kok Peng

The Audit Committee performed the functions specified in the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the Banking (Corporate Governance) (Amendment) Regulations 2010, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

- (a) response of the Bank's management and the assistance provided by officers of the Bank to the external and internal auditors;
- (b) the financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors; and
- (c) the independence and objectivity of the external auditors.

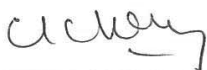
The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings.

The Audit Committee has nominated KPMG LLP for re-appointment as auditors of the Bank at the forthcoming annual general meeting.

Auditors

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,



CHEONG CHOONG KONG
Director



FANG AI LIAN
Director

Singapore
13 February 2014

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS

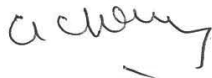
For the financial year ended 31 December 2013

In the opinion of the directors,

- (a) the financial statements set out on pages 10 to 133 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors,



CHEONG CHOONG KONG
Director



FANG AI LIAN
Director

Singapore
13 February 2014



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INDEPENDENT AUDITORS' REPORT **To The Members Of Oversea-Chinese Banking Corporation Limited**

Report on the financial statements

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited (the "Bank") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2013, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 133.

Management's responsibility 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 Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of *FRS 39 Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2013, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

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.

Kluu Up

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
13 February 2014

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

For the financial year ended 31 December 2013

	Note	GROUP		BANK	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest income		6,174,076	5,967,535	3,532,538	3,441,391
Interest expense		(2,291,244)	(2,219,791)	(1,136,513)	(1,190,176)
Net interest income	3	3,882,832	3,747,744	2,396,025	2,251,215
Premium income		7,600,064	6,254,417	–	–
Investment income		2,394,725	4,245,724	–	–
Net claims, surrenders and annuities		(6,134,629)	(5,376,383)	–	–
Change in life assurance fund contract liabilities		(1,843,762)	(3,065,964)	–	–
Commission and others		(1,417,682)	(1,366,075)	–	–
Profit from life assurance	4	598,716	691,719	–	–
Premium income from general insurance		157,344	145,836	–	–
Fees and commissions (net)	5	1,355,457	1,198,250	754,487	683,837
Dividends	6	75,062	88,233	1,235,886	469,325
Rental income		67,457	72,327	30,941	31,425
Other income	7	484,543	2,017,263	151,968	1,133,410
Non-interest income		2,738,579	4,213,628	2,173,282	2,317,997
Total income		6,621,411	7,961,372	4,569,307	4,569,212
Staff costs		(1,715,123)	(1,649,620)	(679,412)	(673,439)
Other operating expenses		(1,068,780)	(1,045,122)	(731,262)	(712,369)
Total operating expenses	8	(2,783,903)	(2,694,742)	(1,410,674)	(1,385,808)
Operating profit before allowances and amortisation		3,837,508	5,266,630	3,158,633	3,183,404
Amortisation of intangible assets	37	(58,099)	(59,903)	–	–
Allowances for loans and impairment for other assets	9	(266,058)	(271,432)	(158,101)	(180,841)
Operating profit after allowances and amortisation		3,513,351	4,935,295	3,000,532	3,002,563
Share of results of associates and joint ventures		53,940	26,566	–	–
Profit before income tax		3,567,291	4,961,861	3,000,532	3,002,563
Income tax expense	10	(597,785)	(698,912)	(289,366)	(306,543)
Profit for the year		2,969,506	4,262,949	2,711,166	2,696,020
Attributable to:					
Equity holders of the Bank		2,767,566	3,992,811		
Non-controlling interests		201,940	270,138		
		2,969,506	4,262,949		
Earnings per share (cents)	11				
Basic		78.0	113.1		
Diluted		77.9	112.9		

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	GROUP		BANK	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit for the year		2,969,506	4,262,949	2,711,166	2,696,020
Other comprehensive income:					
Available-for-sale financial assets					
(Losses)/gains for the year		(336,665)	1,011,932	(121,676)	565,563
Reclassification of (gains)/losses to income statement					
- on disposal		(131,465)	(1,350,925)	(71,854)	(810,843)
- on impairment		3,527	18,197	(265)	(287)
Tax on net movements	20	52,002	71,808	9,946	56,542
Defined benefit plans remeasurements ⁽¹⁾		(39)	(8,241)	-	-
Exchange differences on translating foreign operations		(342,983)	(288,083)	(27,062)	(32,159)
Other comprehensive income of associates and joint ventures		3,522	(174)	-	-
Total other comprehensive income, net of tax		(752,101)	(545,486)	(210,911)	(221,184)
Total comprehensive income for the year, net of tax		2,217,405	3,717,463	2,500,255	2,474,836
Total comprehensive income attributable to:					
Equity holders of the Bank		2,068,855	3,488,284		
Non-controlling interests		148,550	229,179		
		2,217,405	3,717,463		

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

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

As at 31 December 2013

	Note	GROUP		BANK	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	9,448,282	9,953,321	9,448,282	9,953,321
Capital reserves	14	418,368	375,520	94,040	95,985
Fair value reserves		493,473	895,345	137,520	321,369
Revenue reserves	15	14,755,420	14,580,211	9,645,619	9,213,566
		<u>25,115,543</u>	<u>25,804,397</u>	<u>19,325,461</u>	<u>19,584,241</u>
Non-controlling interests	16	<u>2,963,937</u>	<u>2,896,604</u>	–	–
Total equity		<u>28,079,480</u>	<u>28,701,001</u>	<u>19,325,461</u>	<u>19,584,241</u>
LIABILITIES					
Deposits of non-bank customers	17	195,973,762	165,139,476	142,854,677	115,325,281
Deposits and balances of banks	17	21,548,850	25,655,587	20,260,227	21,538,856
Due to subsidiaries		–	–	6,956,568	8,257,934
Due to associates		167,662	161,362	154,553	148,642
Trading portfolio liabilities		897,874	1,083,334	897,874	1,083,334
Derivative payables	18	5,508,684	5,000,572	4,495,148	4,619,730
Other liabilities	19	4,250,580	4,323,093	1,415,854	1,542,720
Current tax		1,025,000	897,296	367,225	366,712
Deferred tax	20	1,111,986	1,170,303	59,510	65,179
Debt issued	21	26,701,876	11,424,427	26,914,088	11,918,895
		<u>257,186,274</u>	<u>214,855,450</u>	<u>204,375,724</u>	<u>164,867,283</u>
Life assurance fund liabilities	22	<u>53,182,631</u>	<u>52,387,007</u>	–	–
Total liabilities		<u>310,368,905</u>	<u>267,242,457</u>	<u>204,375,724</u>	<u>164,867,283</u>
Total equity and liabilities		<u>338,448,385</u>	<u>295,943,458</u>	<u>223,701,185</u>	<u>184,451,524</u>
ASSETS					
Cash and placements with central banks	23	19,340,810	16,396,833	12,712,980	9,381,653
Singapore government treasury bills and securities	24	11,718,724	13,141,224	10,771,479	11,961,420
Other government treasury bills and securities	24	8,892,113	9,156,753	4,543,308	6,098,387
Placements with and loans to banks	25	39,572,500	29,810,928	30,820,827	21,017,680
Loans and bills receivable	26–29	167,854,086	142,376,478	125,080,132	104,156,600
Debt and equity securities	30	19,602,314	14,931,990	12,891,217	9,348,412
Assets pledged	45	2,109,722	2,056,155	1,919,834	1,946,335
Assets held for sale	46	1,707	5,256	477	–
Derivative receivables	18	5,194,163	5,154,754	4,195,425	4,693,349
Other assets	31	3,900,403	3,844,627	1,311,211	1,147,341
Deferred tax	20	106,794	43,438	41,707	26,257
Associates and joint ventures	33	379,768	354,892	170,154	191,250
Subsidiaries	34	–	–	16,295,363	11,576,708
Property, plant and equipment	35	1,898,096	1,702,585	517,810	473,930
Investment property	36	731,350	878,240	562,085	565,026
Goodwill and intangible assets	37	3,740,978	3,817,902	1,867,176	1,867,176
		<u>285,043,528</u>	<u>243,672,055</u>	<u>223,701,185</u>	<u>184,451,524</u>
Life assurance fund investment assets	22	<u>53,404,857</u>	<u>52,271,403</u>	–	–
Total assets		<u>338,448,385</u>	<u>295,943,458</u>	<u>223,701,185</u>	<u>184,451,524</u>

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY - GROUP

For the financial year ended 31 December 2013

In \$'000	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 2013	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Total comprehensive income for the year							
Profit for the year	–	–	–	2,767,566	2,767,566	201,940	2,969,506
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(327,510)	–	(327,510)	(9,155)	(336,665)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(126,168)	–	(126,168)	(5,297)	(131,465)
- on impairment	–	–	3,425	–	3,425	102	3,527
Tax on net movements	–	–	49,356	–	49,356	2,646	52,002
Defined benefit plans remeasurements	–	–	–	(215)	(215)	176	(39)
Exchange differences on translating foreign operations	–	–	–	(300,671)	(300,671)	(42,312)	(342,983)
Other comprehensive income of associates and joint ventures	–	–	(975)	4,047	3,072	450	3,522
Total other comprehensive income, net of tax	–	–	(401,872)	(296,839)	(698,711)	(53,390)	(752,101)
Total comprehensive income for the year	–	–	(401,872)	2,470,727	2,068,855	148,550	2,217,405
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	15,334	27,809	–	(43,143)	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(138,409)	(138,409)
DSP reserve from dividends on unvested shares	–	–	–	3,530	3,530	–	3,530
Ordinary and preference dividends	–	–	–	(1,255,531)	(1,255,531)	–	(1,255,531)
Redemption of preference shares	(499,950)	–	–	(1,000,050)	(1,500,000)	–	(1,500,000)
Share-based staff costs capitalised	–	13,389	–	–	13,389	–	13,389
Share buyback held in treasury	(150,382)	–	–	–	(150,382)	–	(150,382)
Shares issued to non-executive directors	850	–	–	–	850	–	850
Shares purchased by DSP Trust	–	(3,473)	–	–	(3,473)	–	(3,473)
Shares vested under DSP Scheme	–	40,077	–	–	40,077	–	40,077
Treasury shares transferred/sold	129,109	(34,954)	–	–	94,155	–	94,155
Total contributions by and distributions to owners	(505,039)	42,848	–	(2,295,194)	(2,757,385)	(138,409)	(2,895,794)
Changes in ownership interests in a subsidiary that does not result in loss of control							
Changes in non-controlling interests	–	–	–	(324)	(324)	57,192	56,868
Total changes in ownership interests in a subsidiary	–	–	–	(324)	(324)	57,192	56,868
Balance at 31 December 2013	9,448,282	418,368	493,473	14,755,420	25,115,543	2,963,937	28,079,480
Included:							
Share of reserves of associates and joint ventures	–	–	4,727	92,768	97,495	(5,388)	92,107

An analysis of the movements in each component within 'Share capital', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY - GROUP

For the financial year ended 31 December 2013

In \$'000	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 2012	9,022,918	279,402	1,124,668	12,143,711	22,570,699	2,819,322	25,390,021
Total comprehensive income for the year							
Profit for the year	–	–	–	3,992,811	3,992,811	270,138	4,262,949
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	963,847	–	963,847	48,085	1,011,932
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(1,286,053)	–	(1,286,053)	(64,872)	(1,350,925)
- on impairment	–	–	18,169	–	18,169	28	18,197
Tax on net movements	–	–	68,996	–	68,996	2,812	71,808
Defined benefit plans remeasurements	–	–	–	(7,011)	(7,011)	(1,230)	(8,241)
Exchange differences on translating foreign operations	–	–	–	(262,717)	(262,717)	(25,366)	(288,083)
Other comprehensive income of associates and joint ventures	–	–	5,718	(5,476)	242	(416)	(174)
Total other comprehensive income, net of tax	–	–	(229,323)	(275,204)	(504,527)	(40,959)	(545,486)
Total comprehensive income for the year	–	–	(229,323)	3,717,607	3,488,284	229,179	3,717,463
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	5,003	86,045	–	(91,048)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	2,669	2,669
Distributions and dividends to non-controlling interests	–	–	–	–	–	(206,112)	(206,112)
DSP reserve from dividends on unvested shares	–	–	–	3,579	3,579	–	3,579
Ordinary and preference dividends	–	–	–	(1,175,493)	(1,175,493)	–	(1,175,493)
Preference shares issued	1,000,000	–	–	–	1,000,000	–	1,000,000
Preference shares issue expense	(175)	–	–	–	(175)	–	(175)
Share-based staff costs capitalised	–	10,699	–	–	10,699	–	10,699
Share buyback held in treasury	(162,178)	–	–	–	(162,178)	–	(162,178)
Shares issued to non-executive directors	507	–	–	–	507	–	507
Shares purchased by DSP Trust	–	(3,644)	–	–	(3,644)	–	(3,644)
Shares vested under DSP Scheme	–	39,292	–	–	39,292	–	39,292
Treasury shares transferred/sold	87,246	(36,274)	–	–	50,972	–	50,972
Total contributions by and distributions to owners	930,403	96,118	–	(1,262,962)	(236,441)	(203,443)	(439,884)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(18,145)	(18,145)	51,546	33,401
Total changes in ownership interests in subsidiaries	–	–	–	(18,145)	(18,145)	51,546	33,401
Balance at 31 December 2012	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Included:							
Share of reserves of associates and joint ventures	–	–	5,702	45,297	50,999	(4,822)	46,177

An analysis of the movements in each component within 'Share capital', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY – BANK

For the financial year ended 31 December 2013

In \$'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2013	9,953,321	95,985	321,369	9,213,566	19,584,241
Total comprehensive income for the year ⁽¹⁾	–	–	(183,849)	2,684,104	2,500,255
Transfers	15,334	(15,334)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	3,530	3,530
Ordinary and preference dividends	–	–	–	(1,255,531)	(1,255,531)
Redemption of preference shares	(499,950)	–	–	(1,000,050)	(1,500,000)
Share-based staff costs capitalised	–	13,389	–	–	13,389
Share buyback held in treasury	(150,382)	–	–	–	(150,382)
Shares issued to non-executive directors	850	–	–	–	850
Treasury shares transferred/sold	129,109	–	–	–	129,109
Balance at 31 December 2013	9,448,282	94,040	137,520	9,645,619	19,325,461
Balance at 1 January 2012	9,022,918	90,289	510,394	7,721,619	17,345,220
Total comprehensive income for the year ⁽¹⁾	–	–	(189,025)	2,663,861	2,474,836
Transfers	5,003	(5,003)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	3,579	3,579
Ordinary and preference dividends	–	–	–	(1,175,493)	(1,175,493)
Preference shares issued	1,000,000	–	–	–	1,000,000
Preference shares issue expense	(175)	–	–	–	(175)
Share-based staff costs capitalised	–	10,699	–	–	10,699
Share buyback held in treasury	(162,178)	–	–	–	(162,178)
Shares issued to non-executive directors	507	–	–	–	507
Treasury shares transferred/sold	87,246	–	–	–	87,246
Balance at 31 December 2012	9,953,321	95,985	321,369	9,213,566	19,584,241

⁽¹⁾ Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within ‘Share capital’, ‘Capital reserves’ and ‘Revenue reserves’ is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2013

In S'000	2013	2012
Cash flows from operating activities		
Profit before income tax	3,567,291	4,961,861
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	266,058	271,432
Amortisation of intangible assets	58,099	59,903
Change in fair value for hedging transactions and trading securities	71,105	(90,314)
Depreciation of property, plant and equipment and investment property	206,542	184,197
Net gain on disposal of government, debt and equity securities	(132,334)	(1,350,927)
Net gain on disposal of property, plant and equipment and investment property	(26,442)	(81,678)
Net loss on liquidation of a subsidiary	2,731	–
Share-based staff costs	13,604	10,119
Share of results of associates and joint ventures	(53,940)	(26,566)
Items relating to life assurance fund		
Surplus before income tax	827,265	999,920
Surplus transferred from life assurance fund	(598,716)	(691,719)
Operating profit before change in operating assets and liabilities	4,201,263	4,246,228
Change in operating assets and liabilities:		
Deposits of non-bank customers	30,840,586	10,573,665
Deposits and balances of banks	(4,106,737)	4,002,342
Derivative payables and other liabilities	568,162	(959,673)
Trading portfolio liabilities	(185,460)	(571,706)
Government securities and treasury bills	1,078,335	(1,586,576)
Trading securities	(1,521,891)	34,164
Placements with and loans to banks	(9,091,266)	(1,811,345)
Loans and bills receivable	(25,767,784)	(9,030,225)
Derivative receivables and other assets	149,882	611,649
Net change in investment assets and liabilities of life assurance fund	(504,538)	(89,638)
Cash (used in)/from operating activities	(4,339,448)	5,418,885
Income tax paid	(530,800)	(639,797)
Net cash (used in)/from operating activities	(4,870,248)	4,779,088
Cash flows from investing activities		
Dividends from associates	11,531	7,740
Decrease in associates and joint ventures	16,600	29,750
Net cash outflow from acquisition of a subsidiary	–	(11,878)
Purchases of debt and equity securities	(11,357,318)	(5,694,795)
Purchases of property, plant and equipment and investment property	(335,764)	(303,234)
Proceeds from disposal of debt and equity securities	7,344,119	6,706,526
Proceeds from disposal of property, plant and equipment and investment property	36,072	127,484
Net cash (used in)/from investing activities	(4,284,760)	861,593
Cash flows from financing activities		
Changes in non-controlling interests	56,868	33,401
Increase/(decrease) in other debt issued	15,992,463	(2,572,383)
Distributions and dividends paid to non-controlling interests	(138,409)	(206,112)
Dividends paid to equity holders of the Bank	(1,255,531)	(1,173,089)
Issue of subordinated debt	–	1,471,903
Net proceeds from issue of preference shares	–	999,825
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	94,155	50,972
Redemption of preference shares	(1,500,000)	–
Redemption of subordinated debt issued	(720,691)	(385,356)
Share buyback held in treasury	(150,382)	(162,178)
Net cash from/(used in) financing activities	12,378,473	(1,943,017)
Net currency translation adjustments	(279,488)	(197,436)
Net change in cash and cash equivalents	2,943,977	3,500,228
Cash and cash equivalents at 1 January	16,396,833	12,896,605
Cash and cash equivalents at 31 December	19,340,810	16,396,833

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 13 February 2014.

1. General

Oversea-Chinese Banking Corporation Limited (“the Bank”) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Bank’s registered office is 65 Chulia Street, #06-00 OCBC Centre, Singapore 049513.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group’s interests in associates and joint ventures. The Group is principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) as required by the Singapore Companies Act (the “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 (“MAS”).

The financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.23.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2013:

FRS 1 (Amendments)	<i>Presentation of Items of Other Comprehensive Income</i>
FRS 19 (Amendments)	<i>Employee Benefits</i>
FRS 107 (Amendments)	<i>Disclosures: Offsetting Financial Assets and Financial Liabilities</i>
FRS 113	<i>Fair Value Measurement</i>
Improvements to FRSs 2012	

FRS 113 replaces the fair value measurement guidance contained in individual FRSs with a single source of fair value measurement guidance. It provides a definition of fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The initial application of the above standards (including their consequential amendments) and interpretations does not have any material impact on the Group’s financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.2 Basis of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Bank, directly or indirectly, has power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Bank controls another entity.

The acquisition method is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the date of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Bank to the date that control ceases. In preparing the consolidated financial statements, intra-group transactions, balances and unrealised gains on transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests represent the portion of net results of operations and of net assets in subsidiaries that do not belong to equity holders of the Bank. They are disclosed separately in the Group income statement and balance sheet accordingly.

2.2.2 Special purpose entities

Special purpose entities (“SPE”) which are established for a narrow and well-defined objective are consolidated where the substance of the relationship indicates that the Group has control over the SPE notwithstanding that the Group holds little or no equity interest in the SPE.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.2 Basis of consolidation *(continued)*

2.2.3 Associates and joint ventures

Associates are entities over which the Bank has significant influence, but not control, generally accompanied by a shareholding of 20% to 50% of the voting rights. Joint ventures are entities which are jointly controlled by the Group and its joint venture partners. The parties involved have entered into a contractual arrangement to undertake an economic activity and none of them unilaterally has control over the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, and include goodwill identified on acquisition, where applicable. Certain entities in which the Group had total shareholdings of between 20% and 50% were excluded from equity accounting because investments in the Life Funds of Great Eastern Holdings Limited were not included in determining associates.

Equity accounting involves recording investments in associates and joint ventures initially at cost, adjusted thereafter for post-acquisition changes of the Group's share of the net assets of the associates and joint ventures until the date the significant influence or joint control ceases. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

2.2.4 Life assurance companies

Certain subsidiaries of the Group engaged in life assurance business are structured into one or more long-term life assurance funds, and shareholders' fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the life assurance funds. The amount distributed to shareholders is reported as "Profit from life assurance" in the consolidated income statement.

2.2.5 Accounting for subsidiaries and associates by the Bank

Investments in subsidiaries and associates are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.3 Currency translation

2.3.1 Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve within equity.

2.3.2 Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollar at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences arising from the translation of a foreign operation are recognised in other comprehensive income and presented in the currency translation reserve within equity. When a foreign operation is disposed, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

2.4 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances and placements with central banks.

2.5 Financial instruments

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention are recognised on the settlement date.

2.5.2 De-recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2.5.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.5 Financial instruments *(continued)*

2.5.4 Sale and repurchase agreements (including securities lending and borrowing)

Repurchase agreements (“repos”) are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

Securities lending and borrowing transactions are generally secured, with collateral taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral advanced or received is recorded as an asset or a liability respectively.

2.6 Non-derivative financial assets

Non-derivative financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at acquisition cost and subsequently measured at amortised cost using the effective interest method, less impairment allowance.

2.6.2 Available-for-sale financial assets

Available-for-sale financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

At the balance sheet date, the Group recognises unrealised gains and losses on revaluing unsettled contracts in other comprehensive income. Upon settlement, available-for-sale assets are carried at fair value (including transaction costs) on the balance sheet, with cumulative fair value changes taken to other comprehensive income and presented in fair value reserve within equity, and recognised in the income statement when the asset is disposed of, collected or otherwise sold, or when the asset is assessed to be impaired.

The fair value for quoted investments is derived from market bid prices. For unquoted securities, fair value is determined based on quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.6 Non-derivative financial assets *(continued)*

2.6.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term.

At the balance sheet date, unrealised profits and losses on revaluing unsettled contracts are recognised in the income statement. Upon settlement, these assets are carried at fair value on the balance sheet, with subsequent fair value changes recognised in the income statement.

Fair value is derived from quoted market bid prices. All realised and unrealised gains and losses are included in net trading income in the income statement. Interest earned whilst holding trading assets is included in interest income.

2.6.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss.

2.7 Derivative financial instruments

All derivative financial instruments are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes, and the realised and unrealised gains and losses are recognised in the income statement. The Group also enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies either fair value or cash flow hedge accounting when the transactions meet the specified criteria for hedge accounting.

For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying value of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is taken to the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve remain in equity until the forecasted transaction is recognised in the income statement. When the forecasted transaction is no longer expected to occur, the amounts accumulated in the hedge reserve is immediately transferred to the income statement.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.7 Derivative financial instruments (continued)

For hedges of net investments in foreign operations which are accounted in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	-	5 to 10 years
Office equipment	-	5 to 10 years
Computers	-	3 to 10 years
Renovation	-	3 to 5 years
Motor vehicles	-	5 years

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

2.9 Investment property

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group's life assurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

Investment property held under the Group's life assurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.10 Goodwill and intangible assets

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of the acquiree. Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The useful life of an intangible asset is reviewed at least at each financial year end.

2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of assets

Financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.12.1 Loans and receivables/financial assets carried at amortised cost

Loans are assessed for impairment on a loan-by-loan basis except for homogeneous loans below a certain materiality threshold, which are grouped together according to their risk characteristics and collectively assessed, taking into account the historical loss experience on such loans.

A specific allowance is established when the present value of recoverable cash flows for a loan is lower than the carrying value of the loan. Portfolio allowances are set aside for unimpaired loans based on portfolio and country risks, as well as industry practices.

Specific allowances are written back to the income statement when the loans are no longer impaired or when the loss on loan is determined to be less than the amount of specific allowance previously made. Loans are written-off when recovery action has been instituted and the loss can be reasonably determined.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.12 Impairment of assets (continued)

2.12.2 Other non-derivative financial assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying value and the estimated recoverable amount. For equity investments classified as available-for-sale, when there is a significant or prolonged decline in the fair value of the asset below its cost, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt investments, reversal of impairment loss is recognised in the income statement.

Other assets

2.12.3 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units ("CGU") expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its fair value less cost to sell and its value in use. Impairment loss on goodwill cannot be reversed in subsequent periods.

2.12.4 Investments in subsidiaries and associates

Property, plant and equipment

Investment property

Intangible assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on the balance sheet date or whenever there is any indication that the carrying value of an asset may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use).

The impairment loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.13 Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.14 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the liabilities are held at fair value through profit or loss. Financial liabilities are held at fair value through the income statement when:

- (a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
- (b) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
- (c) the financial liability contains an embedded derivative that would need to be separately recorded.

2.15 Provisions and other liabilities

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective Life Assurance Sales Representative's Agreements. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries after the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 Insurance contracts

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of Great Eastern Holdings Limited ("GEH"), has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

- (a) Life Assurance Fund contract liabilities, comprising
 - Participating Fund contract liabilities;
 - Non-participating Fund contract liabilities; and
 - Investment-linked Fund contract liabilities.
- (b) General Insurance Fund contract liabilities
- (c) Reinsurance contracts

The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.16 Insurance contracts (continued)

Life Assurance Fund contract liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance funds.

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating policy, appropriate level of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment-linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group would include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.16 Insurance contracts *(continued)*

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

The valuation of insurance contract liabilities is determined according to:

- (a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore (“MAS Regulations”); and
- (b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

The Group issues investment-linked contracts as insurance contracts which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment-linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract, it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies as stated under the terms and conditions of the insurance contracts.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.16 Insurance contracts (continued)

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	Singapore	Malaysia
Valuation method ⁽¹⁾	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) For guaranteed cashflows, Malaysia Government Securities (“MGS”) zero coupon spot yields (as outlined below).
Interest rate ⁽¹⁾	(i) Singapore Government Securities (“SGS”) zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate (“LTRFDR”) for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30-year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. Data source: MAS website and Bloomberg	Malaysia Government Securities yields determined based on the following: (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. Data source: Bond Pricing Agency Malaysia
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders ⁽¹⁾	Best estimates plus provision for adverse deviation (“PADs”). Data source: Internal experience studies	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows); and (ii) Best estimates plus provision for risk of adverse deviation (“PRADs”) for guaranteed cashflows only. Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus PRADs. Data source: Internal experience studies

⁽¹⁾ Refer to Note 2.23 on Critical accounting estimates and judgements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.16 Insurance contracts (continued)

General Insurance Fund contract liabilities

The Group issues short term property and casualty contracts which protect the policyholders against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other receivables. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial projection techniques based on empirical data and the current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income.

The valuation of general insurance contract liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local insurance regulations, the provision for adverse deviation is set at 75 per cent sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, and the Incurred Bornhuetter-Ferguson Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method and the Loss Ratio Method.

Reinsurance contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.17 Unexpired risk reserve

The Unexpired Risk Reserve (“URR”) represents the unearned portion of written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the balance sheet date. The change in provision for unearned premium is taken to the income statements in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the 1/24th method and is reduced by the corresponding percentage of gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the insurance entity operates.

2.18 Share capital and dividend

Ordinary shares, non-voting non-convertible and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity on the balance sheet.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Treasury shares which are subsequently reissued, sold or cancelled, are recognised as changes in equity.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the year in which they are declared payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by shareholders at the annual general meeting.

2.19 Recognition of income and expense

2.19.1 Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount. When calculating the effective interest rate, significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts, are considered.

For impaired financial assets, interest income is recognised on the carrying amount based on the original effective interest rate of the financial asset.

2.19.2 Profit from life assurance

Profit from life assurance business derived from the insurance funds is categorised as follows:

(a) Participating Fund

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, based on the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders’ benefits of the participating fund). Parameters for the valuation are set out in the insurance regulations governing the Group’s insurance subsidiaries in the respective jurisdictions in which they operate. The provisions in the Articles of Association of the Group’s insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholders’ bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary, in accordance with the insurance regulations and the Articles of Association of the respective subsidiary.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.19 Recognition of income and expense (continued)

2.19.2 Profit from life assurance (continued)

(b) Non-participating Fund

Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed by the appropriate insurance regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue, expenses, and the annual actuarial valuation of the non-participating fund liabilities in accordance with the requirements of the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

(c) Investment-linked Fund

Revenue comprises bid-ask spread, fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the insurance regulations, in respect of the non-unit-linked part of the fund.

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

2.19.3 Premium income from general insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the unexpired risk reserve (Note 2.17). Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from general insurance contracts are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods after the balance sheet date are adjusted through the movement in unexpired risk reserve.

2.19.4 Fees and commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are netted off against gross fees and commissions in the income statement.

2.19.5 Dividends

Dividends from available-for-sale securities, subsidiaries and associates are recognised when the right to receive payment is established. Dividends from trading securities are recognised when received.

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the tenancy agreements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies *(continued)*

2.19 Recognition of income and expense *(continued)*

2.19.7 Employee benefits

The Group's compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, defined benefit plans, commissions, cash bonuses, and share-based compensation plans. These are recognised in the income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on the balance sheet date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in other comprehensive income in the period in which they arise.

Share-based compensation plans include the Bank's Share Option Schemes, the Employee Share Purchase Plan ("ESP Plan") and the Deferred Share Plan ("DSP"). Equity instruments granted are recognised as expense in the income statement based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to equity.

At each balance sheet date, the Group revises its estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The Group accrues for interest on the monthly contributions made by employees to the savings-based ESP Plan. For the DSP, a trust is set up to administer the shares. The DSP Trust is consolidated in the Group's financial statements.

Proceeds received upon the exercise of options and acquisition rights, net of any directly attributable transaction costs, are credited to share capital.

2.19.8 Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The expense is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.20 Income tax expense

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation against the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

2.22 Segment reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

2.23 Critical accounting estimates and judgements

Certain estimates are made in the preparation of the financial statements. These often require management judgement in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.23 Critical accounting estimates and judgements (continued)

2.23.1 Liabilities of insurance business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is one of the Group's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

At each balance sheet date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

2.23.2 Impairment of goodwill and intangible assets

The Group performs an annual review of the carrying value of its goodwill and intangible assets, against the recoverable amounts of the CGU to which the goodwill and intangible assets have been allocated. Recoverable amounts of CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.23 Critical accounting estimates and judgements (continued)

2.23.3 Fair value estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as “day one profit and loss” is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is amortised over the life of the transaction, released when the instrument’s fair value can be determined using market observable inputs, or when the transaction is derecognised.

2.23.4 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses in estimating the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

2.23.5 Impairment of loans

The Group assesses impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collateral, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans. The portfolio allowances set aside for unimpaired loans are based on management’s credit experiences and judgement, taking into account geographical and industry factors. A minimum 1% portfolio allowance is maintained by the Group in accordance with the transitional arrangement set out in MAS Notice 612. The assumptions and judgements used by management may affect these allowances.

2.23.6 Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining when an investment is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2.23.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date, these insurance risks are deemed not significant.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Net interest income

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest income				
Loans to non-bank customers	4,491,476	4,173,179	2,483,749	2,324,664
Placements with and loans to banks	772,339	961,844	489,505	599,692
Other interest-earning assets	910,261	832,512	559,284	517,035
	<u>6,174,076</u>	<u>5,967,535</u>	<u>3,532,538</u>	<u>3,441,391</u>
Interest expense				
Deposits of non-bank customers	(1,770,360)	(1,715,251)	(604,975)	(642,750)
Deposits and balances of banks	(177,935)	(188,696)	(192,715)	(211,603)
Other borrowings	(342,949)	(315,844)	(338,823)	(335,823)
	<u>(2,291,244)</u>	<u>(2,219,791)</u>	<u>(1,136,513)</u>	<u>(1,190,176)</u>
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	5,959,799	5,788,795	3,351,542	3,297,928
Income – Assets at fair value through profit or loss	214,277	178,740	180,996	143,463
Expense – Liabilities not at fair value through profit or loss	(2,272,648)	(2,193,167)	(1,117,917)	(1,163,552)
Expense – Liabilities at fair value through profit or loss	(18,596)	(26,624)	(18,596)	(26,624)
Net interest income	<u>3,882,832</u>	<u>3,747,744</u>	<u>2,396,025</u>	<u>2,251,215</u>

Included in interest income were interest on impaired assets of \$5.2 million (2012: \$8.2 million) and \$4.2 million (2012: \$6.3 million) for the Group and Bank respectively.

4. Profit from life assurance

	GROUP	
	2013 \$ million	2012 \$ million
Income		
Annual	5,531.6	4,960.0
Single	2,193.4	1,408.2
Gross premiums	7,725.0	6,368.2
Reinsurances	(125.0)	(113.7)
Premium income (net)	7,600.0	6,254.5
Investment income (net)	2,394.8	4,245.6
Total income	<u>9,994.8</u>	<u>10,500.1</u>
Expenses		
Gross claims, surrenders and annuities	(6,213.0)	(5,437.4)
Claims, surrenders and annuities recovered from reinsurers	78.4	61.0
Net claims, surrenders and annuities	(6,134.6)	(5,376.4)
Change in life assurance fund contract liabilities (Note 22)	(1,843.8)	(3,065.9)
Commission and agency expenses	(775.0)	(706.7)
Depreciation – property, plant and equipment (Note 35)	(55.3)	(46.7)
Other expenses ⁽¹⁾	(353.2)	(344.3)
Total expenses	<u>(9,161.9)</u>	<u>(9,540.0)</u>
Surplus from operations	<u>832.9</u>	<u>960.1</u>
Share of results of associates and joint ventures	(5.7)	39.8
Income tax expense	(228.5)	(308.2)
Profit from life assurance	<u>598.7</u>	<u>691.7</u>

⁽¹⁾ Included in other expenses were directors' emoluments of \$4.5 million (2012: \$4.4 million).

Profit from life assurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

5. Fees and commissions (net)

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Fee and commission income	1,392,798	1,255,225	762,853	712,540
Fee and commission expense	(37,341)	(56,975)	(8,366)	(28,703)
Fees and commissions (net)	<u>1,355,457</u>	<u>1,198,250</u>	<u>754,487</u>	<u>683,837</u>
Analysed by major sources:				
Brokerage	68,409	60,031	289	385
Credit card	65,112	50,938	61,991	51,997
Fund management	99,524	85,826	(1,555)	(280)
Guarantees	17,846	17,651	10,875	12,815
Investment banking	92,008	90,988	67,170	70,241
Loan-related	284,378	251,159	241,201	214,929
Service charges	78,618	78,411	58,943	54,059
Trade-related and remittances	212,753	212,615	150,492	161,219
Wealth management	412,329	322,022	157,196	111,207
Others	24,480	28,609	7,885	7,265
	<u>1,355,457</u>	<u>1,198,250</u>	<u>754,487</u>	<u>683,837</u>

6. Dividends

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Subsidiaries	–	–	1,204,975	429,802
Associates	–	–	11,531	7,740
Trading securities	6,145	4,319	6,066	4,053
Available-for-sale securities	68,917	83,914	13,314	27,730
	<u>75,062</u>	<u>88,233</u>	<u>1,235,886</u>	<u>469,325</u>

7. Other income

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Foreign exchange ^{(1) (2)}	357,300	258,186	142,611	105,172
Hedging activities ⁽³⁾				
Hedging instruments	69,872	49,769	70,206	55,817
Hedged items	(69,746)	(51,762)	(70,006)	(57,484)
Fair value hedges	126	(1,993)	200	(1,667)
Interest rate and other derivatives ^{(1) (4)}	(41,112)	29,018	(16,246)	50,333
Trading and fair value through profit and loss securities	(51,291)	226,736	(79,010)	129,605
Others	(3,167)	2,741	(3,167)	2,741
Net trading income	261,856	514,688	44,388	286,184
Disposal of securities classified as available-for-sale	132,152	1,350,925	72,542	810,843
Disposal of securities classified as loans and receivables	182	2	182	2
Liquidation of subsidiaries	(2,731)	–	1,923	–
Disposal of plant and equipment	(1,546)	482	(853)	(120)
Disposal of property	27,988	81,196	9,532	15,035
Computer-related services income	33,777	34,745	–	–
Property-related income	7,521	8,941	438	478
Others	25,344	26,284	23,816	20,988
	<u>484,543</u>	<u>2,017,263</u>	<u>151,968</u>	<u>1,133,410</u>

(1) Comparatives have been restated to conform to current year's presentation.

(2) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.

(3) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".

(4) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.

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8. Staff costs and other operating expenses

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
8.1 Staff costs				
Salaries and other costs	1,545,566	1,486,003	614,590	609,650
Share-based expenses	12,754	9,612	7,579	6,046
Contribution to defined contribution plans	126,525	124,488	49,124	49,733
	<u>1,684,845</u>	<u>1,620,103</u>	<u>671,293</u>	<u>665,429</u>
Directors' emoluments:				
Remuneration of Bank's directors	3,191	4,532	3,179	4,502
Remuneration of directors of subsidiaries	17,681	17,411	–	–
Fees of Bank's directors	7,489	5,535	4,940	3,508
Fees of directors of subsidiaries	1,917	2,039	–	–
	<u>30,278</u>	<u>29,517</u>	<u>8,119</u>	<u>8,010</u>
Total staff costs	<u>1,715,123</u>	<u>1,649,620</u>	<u>679,412</u>	<u>673,439</u>
8.2 Other operating expenses				
Property, plant and equipment: ⁽¹⁾				
Depreciation	206,542	184,197	108,658	95,924
Maintenance and hire	84,181	86,872	34,512	35,518
Rental expenses	73,424	69,659	66,210	63,924
Others	166,217	149,932	68,907	57,583
	<u>530,364</u>	<u>490,660</u>	<u>278,287</u>	<u>252,949</u>
Auditors' remuneration				
Payable to auditors of the Bank	2,058	1,864	1,385	1,150
Payable to associated firms of auditors of the Bank	1,104	1,079	270	280
Payable to other auditors	1,336	1,248	42	28
	<u>4,498</u>	<u>4,191</u>	<u>1,697</u>	<u>1,458</u>
Other fees				
Payable to auditors of the Bank	1,183	1,807	522	1,178
Payable to associated firms of auditors of the Bank	420	291	77	182
	<u>1,603</u>	<u>2,098</u>	<u>599</u>	<u>1,360</u>
Hub processing charges	–	–	175,555	183,576
General insurance claims	61,839	75,223	–	–
Others	470,476	472,950	275,124	273,026
	<u>532,315</u>	<u>548,173</u>	<u>450,679</u>	<u>456,602</u>
Total other operating expenses	<u>1,068,780</u>	<u>1,045,122</u>	<u>731,262</u>	<u>712,369</u>
8.3 Staff costs and other operating expenses	<u>2,783,903</u>	<u>2,694,742</u>	<u>1,410,674</u>	<u>1,385,808</u>

⁽¹⁾ Direct operating expenses on leased investment property for the Group and the Bank amounted to \$12.6 million (2012: \$13.4 million) and \$3.7 million (2012: \$4.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to \$1.5 million (2012: \$4.0 million) and \$1.0 million (2012: \$3.4 million) respectively.

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For the financial year ended 31 December 2013

9. Allowances for loans and impairment for other assets

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Specific allowances for loans (Note 28)	81,378	115,222	61,674	92,745
Portfolio allowances for loans (Note 29)	183,314	147,598	96,967	87,778
Impairment charge/(write-back) for available-for-sale securities	3,681	5,353	(265)	(287)
(Write-back)/impairment charge for other assets (Note 32)	(2,315)	3,259	(275)	605
Net allowances and impairment	<u>266,058</u>	<u>271,432</u>	<u>158,101</u>	<u>180,841</u>

10. Income tax expense

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current tax expense	636,781	756,608	307,754	344,788
Deferred tax credit (Note 20)	(15,599)	(18,756)	(3,445)	(12,221)
	<u>621,182</u>	<u>737,852</u>	<u>304,309</u>	<u>332,567</u>
Over provision in prior years and tax refunds	(23,397)	(38,940)	(14,943)	(26,024)
Charge to income statements	<u>597,785</u>	<u>698,912</u>	<u>289,366</u>	<u>306,543</u>

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Operating profit after allowances and amortisation	<u>3,513,351</u>	<u>4,935,295</u>	<u>3,000,532</u>	<u>3,002,563</u>
Prima facie tax calculated at tax rate of 17%	597,270	839,000	510,090	510,436
Effect of different tax rates in other countries	105,220	111,697	18,998	23,251
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	3,799	3,695	566	1,105
Income not assessable for tax	(15,487)	(172,480)	(192,709)	(206,758)
Income taxed at concessionary rate	(65,508)	(60,137)	(57,284)	(54,783)
Effect of Singapore life assurance fund	(36,850)	(62,305)	-	-
Amortisation of intangibles	9,877	10,183	-	-
(Non-taxable write-backs)/non-deductible allowances	(1,756)	18,663	(161)	9,718
Others	24,617	49,536	24,809	49,598
	<u>621,182</u>	<u>737,852</u>	<u>304,309</u>	<u>332,567</u>
The deferred tax credit comprised:				
Accelerated tax depreciation	6,232	13,371	6,940	6,332
Write-back of allowances for assets	(19,613)	(26,099)	(5,948)	(13,949)
Debt and equity securities	7,704	(1,571)	-	-
Fair value on properties from business combinations	(2,729)	(2,499)	(2,440)	(2,230)
Tax losses (carried forward)/utilised	(2,055)	6,232	(2,436)	-
Others	(5,138)	(8,190)	439	(2,374)
	<u>(15,599)</u>	<u>(18,756)</u>	<u>(3,445)</u>	<u>(12,221)</u>

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. Earnings per share

	GROUP	
	2013	2012
\$'000		
Profit attributable to ordinary equity holders of the Bank	2,767,566	3,992,811
Preference dividends declared in respect of the period	(89,169)	(108,207)
Profit attributable to ordinary equity holders of the Bank after preference dividends	<u>2,678,397</u>	<u>3,884,604</u>
Weighted average number of ordinary shares ('000)		
For basic earnings per share	3,433,022	3,435,065
Adjustment for assumed conversion of share options and acquisition rights	7,257	6,809
For diluted earnings per share	<u>3,440,279</u>	<u>3,441,874</u>
Earnings per share (cents)		
Basic	78.0	113.1
Diluted	<u>77.9</u>	<u>112.9</u>

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. Unappropriated profit

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit attributable to equity holders of the Bank	2,767,566	3,992,811	2,711,166	2,696,020
Add: Unappropriated profit at 1 January	14,060,759	11,354,893	8,267,103	6,741,859
Total amount available for appropriation	<u>16,828,325</u>	<u>15,347,704</u>	<u>10,978,269</u>	<u>9,437,879</u>
Appropriated as follows:				
Ordinary dividends:				
2011 final tax exempt dividend of 15 cents	–	(516,097)	–	(516,097)
2012 interim tax exempt dividend of 16 cents	–	(549,524)	–	(549,524)
2012 final tax exempt dividend of 17 cents	(584,235)	–	(584,235)	–
2013 interim tax exempt dividend of 17 cents	(583,792)	–	(583,792)	–
Preference dividends:				
Class B 5.1% tax exempt (2012: 5.1% tax exempt)	(30,879)	(51,140)	(30,879)	(51,140)
Class E 4.5% tax exempt (2012: 4.5% tax exempt)	–	(24,966)	–	(24,966)
Class G 4.2% tax exempt (2012: 4.2% tax exempt)	(16,625)	(16,670)	(16,625)	(16,670)
Class M 4.0% tax exempt (2012: 4.0% tax exempt)	(40,000)	(17,096)	(40,000)	(17,096)
Transfer (to)/from:				
Capital reserves (Note 14)	(43,143)	(91,048)	–	–
General reserves (Note 15.1)	3,833	4,717	3,833	4,717
Defined benefit plans remeasurements	(215)	(7,011)	–	–
Redemption of preference shares	(1,000,050)	–	(1,000,050)	–
Share of an associate's non-controlling interests	–	35	–	–
Transactions with non-controlling interests	(324)	(18,145)	–	–
	<u>(2,295,430)</u>	<u>(1,286,945)</u>	<u>(2,251,748)</u>	<u>(1,170,776)</u>
At 31 December (Note 15)	<u>14,532,895</u>	<u>14,060,759</u>	<u>8,726,521</u>	<u>8,267,103</u>

At the annual general meeting to be held, a final tax exempt dividend of 17 cents per ordinary share in respect of the financial year ended 31 December 2013, totalling \$583.6 million, will be proposed. The dividends will be accounted for as a distribution in the 2014 financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

13. Share capital

13.1 Share capital

GROUP AND BANK	2013	2012	2013	2012
	Shares ('000)	Shares ('000)	\$'000	\$'000
Ordinary shares				
At 1 January	3,441,100	3,441,044	7,267,065	7,261,730
Preference shares issue expense	–	–	–	(175)
Redemption of preference shares	–	–	1,000,050	–
Shares issued to non-executive directors	77	56	850	507
Transfer from share-based reserves for options and rights exercised (Note 14)	–	–	15,334	5,003
At 31 December	3,441,177	3,441,100	8,283,299	7,267,065
Treasury shares				
At 1 January	(10,159)	(3,967)	(209,575)	(134,643)
Share buyback	(14,459)	(18,242)	(150,382)	(162,178)
Share Option Schemes ⁽¹⁾	7,896	6,248	46,737	35,872
Share Purchase Plan ⁽¹⁾	5,180	1,716	47,418	15,100
Treasury shares transferred to DSP Trust	3,174	4,086	34,954	36,274
At 31 December	(8,368)	(10,159)	(230,848)	(209,575)
Preference shares				
At 1 January				
Class B	10,000	10,000	1,000,000	1,000,000
Class E	5,000	5,000	500,000	500,000
Class G	395,831	395,831	395,831	395,831
Class M	1,000,000	–	1,000,000	–
			2,895,831	1,895,831
Class B shares redeemed during the year	(10,000)	–	(1,000,000)	–
Class E shares redeemed during the year	(5,000)	–	(500,000)	–
Class M shares issued during the year	–	1,000,000	–	1,000,000
At 31 December			1,395,831	2,895,831
Issued share capital, at 31 December			9,448,282	9,953,321

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

Details of the Bank's non-cumulative non-convertible preference shares are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class G and Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group.

The 4.5% Class E and 5.1% Class B non-cumulative non-convertible preference shares were fully redeemed by the Bank on 28 January 2013 and 29 July 2013 respectively. Both classes of preference shares were redeemed out of distributable profits and pursuant to Sections 70(2) and 76G of the Singapore Companies Act, the equivalent amount redeemed out of profits (Note 12) were credited to ordinary share capital. As the Class E preference shares were issued at par value of \$0.01 and liquidation value of \$100 each on 28 January 2003 before the par value concept was abolished with the commencement of the Companies (Amendment) Act on 30 January 2006, the redemption made out of profits under Section 62B(3) of the Singapore Companies Act was equal to the total par value of \$50,000.

All issued shares were fully paid.

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13. Share capital (continued)

13.1 Share capital (continued)

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class G	14 Jul 2003 6 Aug 2003	4.2%	SGD1	14 Jul 2013; dividend payment dates after 14 Jul 2013
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2013 and 31 December 2012.

13.2 Share option schemes

In March 2013, the Bank granted 9,546,759 options (2012: 5,019,795) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 452,025 (2012: 340,924) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was \$9.5 million (2012: \$7.0 million). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price (\$)	10.30	8.80
Average share price from grant date to acceptance date (\$)	10.51	8.89
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.77	20.53
Risk-free rate based on SGS bond yield at acceptance date (%)	0.47 and 1.37	0.56 and 1.61
Expected dividend yield (%)	3.14	3.38
Exercise multiple (times)	1.57	1.57
Option life (years)	5 and 10	5 and 10

Movements in the number of options and the average acquisition prices are as follows:

	2013		2012	
	Number of options	Average price	Number of options	Average price
At 1 January	30,910,785	\$7.121	32,836,463	\$6.610
Granted	9,546,759	\$10.302	5,019,795	\$8.798
Exercised	(7,997,051)	\$5.971	(6,345,672)	\$5.789
Forfeited/lapsed	(380,319)	\$7.028	(599,801)	\$7.281
At 31 December	32,080,174	\$8.355	30,910,785	\$7.121
Exercisable options at 31 December	18,525,927	\$7.238	23,242,461	\$6.527
Average share price underlying the options exercised		\$10.363		\$9.009

At 31 December 2013, the weighted average remaining contractual life of outstanding share options was 5.9 years (2012: 4.9 years). The aggregate outstanding number of options held by directors of the Bank was 3,624,736 (2012: 4,452,711).

13.3 Employee share purchase plan

In June 2013, the Bank launched its eighth offering of ESP Plan for Group employees, which commenced on 1 July 2013 and expire on 30 June 2015. Under the offering, the Bank granted 7,432,261 (2012: 7,788,738) rights to acquire ordinary shares in the Bank. There were no rights (2012: nil) granted to directors of the Bank. The fair value of rights, determined using the binomial valuation model was \$6.1 million (2012: \$7.0 million). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price (\$)	9.92	8.68
Closing share price at valuation date (\$)	10.13	8.70
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.79	20.59
Risk-free rate based on 2-year swap rate (%)	0.26	0.15
Expected dividend yield (%)	2.61	2.76

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13. Share capital (continued)

13.3 Employee share purchase plan (continued)

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2013		2012	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	12,292,163	\$8.892	10,524,336	\$9.021
Exercised and conversion upon expiry	(5,179,058)	\$9.155	(1,714,720)	\$8.800
Forfeited	(1,440,583)	\$9.171	(4,306,191)	\$8.863
Subscription	7,432,261	\$9.920	7,788,738	\$8.680
At 31 December	13,104,783	\$9.340	12,292,163	\$8.892
Average share price underlying acquisition rights exercised/converted		\$10.308		\$9.185

At 31 December 2013, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2012: 1.1 years). There were no rights (2012: nil) held by directors of the Bank.

13.4 Deferred share plan

Total awards of 3,663,801 (2012: 4,508,997) ordinary shares, which included 41,990 (2012: 380,789) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2013. The fair value of the shares at grant date was \$40.4 million (2012: \$40.2 million).

During the year, 5,079,377 (2012: 5,389,002) deferred shares were released to employees, of which 460,713 (2012: 520,653) were released to directors of the Bank. At 31 December 2013, the directors of the Bank have deemed interest in 801,899 (2012: 1,195,184) deferred shares.

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For the financial year ended 31 December 2013

14. Capital reserves

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	375,520	279,402	95,985	90,289
Share-based staff costs capitalised	13,389	10,699	13,389	10,699
Shares purchased by DSP Trust	(38,427)	(39,918)	–	–
Shares vested under DSP Scheme	40,077	39,292	–	–
Transfer from unappropriated profit (Note 12)	43,143	91,048	–	–
Transfer to share capital (Note 13.1)	(15,334)	(5,003)	(15,334)	(5,003)
At 31 December	418,368	375,520	94,040	95,985

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations.

Other capital reserves include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. Revenue reserves

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Unappropriated profit (Note 12)	14,532,895	14,060,759	8,726,521	8,267,103
General reserves	1,326,858	1,327,161	1,112,558	1,112,861
Currency translation reserves	(1,104,333)	(807,709)	(193,460)	(166,398)
At 31 December	14,755,420	14,580,211	9,645,619	9,213,566

15.1 General reserves

At 1 January	1,327,161	1,328,299	1,112,861	1,113,999
DSP reserve from dividends on unvested shares	3,530	3,579	3,530	3,579
Transfer to unappropriated profits (Note 12)	(3,833)	(4,717)	(3,833)	(4,717)
At 31 December	1,326,858	1,327,161	1,112,558	1,112,861

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

15.2 Currency translation reserves

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	(807,709)	(539,481)	(166,398)	(134,239)
Adjustments for the year	(216,252)	(407,162)	(17,195)	(40,223)
Effective portion of hedge	(80,372)	138,934	(9,867)	8,064
At 31 December	(1,104,333)	(807,709)	(193,460)	(166,398)

Currency translation reserves comprise exchange differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

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16. Non-controlling interests

	GROUP	
	2013	2012
	\$'000	\$'000
Non-controlling interests in subsidiaries	909,745	836,766
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	154,192	159,838
OCBC Capital Corporation	400,000	400,000
OCBC Capital Corporation (2008)	1,500,000	1,500,000
Total non-controlling interests	2,963,937	2,896,604

OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), a wholly-owned subsidiary of the Bank, issued the MYR400 million non-cumulative non-convertible preference shares on 12 August 2005. The preference shares are redeemable in whole at the option of OCBC Malaysia on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCBC Malaysia, are payable semi-annually on 20 March and 20 September each year at 4.51% per annum on a net dividend basis on or prior to the 10th anniversary, and thereafter at a floating rate per annum based on the 6-month Kuala Lumpur Interbank Offer Rate plus 1.90% less prevailing Malaysian corporate tax if the redemption option is not exercised.

OCBC Capital Corporation ("OCC"), a wholly-owned subsidiary of the Bank, issued the \$400 million non-cumulative non-convertible guaranteed preference shares on 2 February 2005. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(f)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC on 20 March 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC, are payable semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the \$1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(g)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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17. Deposits and balances of non-bank customers and banks

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deposits of non-bank customers				
Current accounts	59,108,932	52,904,324	38,068,903	34,101,143
Savings deposits	32,208,657	30,613,913	28,870,262	26,657,367
Term deposits	75,930,889	62,437,532	53,544,758	41,596,059
Structured deposits	5,633,831	4,825,419	909,034	753,796
Certificate of deposits issued	20,456,523	10,764,497	20,447,916	10,670,120
Other deposits	2,634,930	3,593,791	1,013,804	1,546,796
	<u>195,973,762</u>	<u>165,139,476</u>	<u>142,854,677</u>	<u>115,325,281</u>
Deposits and balances of banks	21,548,850	25,655,587	20,260,227	21,538,856
	<u>217,522,612</u>	<u>190,795,063</u>	<u>163,114,904</u>	<u>136,864,137</u>

17.1 Deposits of non-bank customers

Analysed by currency

Singapore Dollar	92,021,744	82,095,000	89,621,993	79,849,325
US Dollar	45,846,579	31,455,033	33,946,264	19,836,978
Malaysian Ringgit	22,882,193	20,739,316	–	–
Indonesian Rupiah	4,986,680	5,834,913	1	1
Japanese Yen	1,412,668	1,427,082	706,624	690,662
Hong Kong Dollar	3,363,680	3,217,545	2,679,815	2,565,920
British Pound	6,552,644	3,372,211	5,932,383	2,762,784
Australian Dollar	8,518,843	8,036,384	6,259,285	6,627,545
Euro	1,969,835	1,332,197	1,239,923	487,202
Others	8,418,896	7,629,795	2,468,389	2,504,864
	<u>195,973,762</u>	<u>165,139,476</u>	<u>142,854,677</u>	<u>115,325,281</u>

17.2 Deposits and balances of banks

Analysed by currency

Singapore Dollar	693,444	932,801	689,527	891,820
US Dollar	12,119,671	12,648,972	11,536,974	11,555,256
Malaysian Ringgit	298,946	543,598	–	–
Indonesian Rupiah	123,662	298,421	–	–
Japanese Yen	36,199	746,817	36,199	571,851
Hong Kong Dollar	1,254,216	3,463,687	1,245,283	3,456,266
British Pound	635,866	532,197	635,742	428,865
Australian Dollar	2,705,325	3,433,504	2,703,378	3,380,545
Euro	857,232	635,068	845,939	632,505
Others	2,824,289	2,420,522	2,567,185	621,748
	<u>21,548,850</u>	<u>25,655,587</u>	<u>20,260,227</u>	<u>21,538,856</u>

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18. Derivative financial instruments

The derivative financial instruments shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the balance sheet date are analysed below.

GROUP (\$'000)	2013			2012		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	53,716,800	689,544	408,911	45,763,528	270,015	335,886
Swaps	174,290,736	1,672,001	2,140,483	164,352,547	1,423,511	1,055,415
OTC options – bought	14,819,210	218,134	10,800	11,141,481	137,726	7,555
OTC options – sold	12,207,352	10,213	235,731	10,362,940	5,597	146,075
	255,034,098	2,589,892	2,795,925	231,620,496	1,836,849	1,544,931
Interest rate derivatives ("IRD")						
Swaps	235,198,507	2,340,910	2,463,199	292,976,242	3,058,479	3,197,069
OTC options – bought	894,344	3,569	43	1,644,674	8,967	–
OTC options – sold	3,551,778	–	17,073	7,560,785	–	40,225
Exchange traded options – bought	75,888	1,307	–	36,655	146	–
Exchange traded options – sold	151,776	–	572	36,655	–	43
Exchange traded futures – bought	1,298,693	59	227	2,142,953	57	–
Exchange traded futures – sold	3,870,737	693	1,281	4,051,058	–	687
	245,041,723	2,346,538	2,482,395	308,449,022	3,067,649	3,238,024
Equity derivatives						
Swaps	520,580	5,209	7,737	183,307	3,204	5,837
OTC options – bought	913,906	28,253	8,811	796,401	50,178	6,921
OTC options – sold	742,397	9,012	10,854	714,331	7,412	17,435
Exchange traded futures – bought	19,138	4	12	82,927	223	310
Exchange traded futures – sold	39,474	–	208	23,041	117	6
Others	21,372	424	1	45,011	1,867	–
	2,256,867	42,902	27,623	1,845,018	63,001	30,509
Credit derivatives						
Swaps – protection buyer	11,020,123	39,760	148,649	9,471,841	55,594	134,974
Swaps – protection seller	9,450,569	147,547	35,122	8,825,163	125,315	48,668
	20,470,692	187,307	183,771	18,297,004	180,909	183,642
Other derivatives						
Precious metals – bought	183,440	512	14,770	64,536	746	482
Precious metals – sold	318,046	20,691	373	68,000	3,194	2
OTC options – bought	15,521	312	–	87,141	1,484	169
OTC options – sold	28,866	–	1,747	108,135	–	1,892
Commodity swaps	209,304	2,038	2,080	194,653	922	921
Bond forward	420,173	3,971	–	–	–	–
	1,175,350	27,524	18,970	522,465	6,346	3,466
Total	523,978,730	5,194,163	5,508,684	560,734,005	5,154,754	5,000,572
Included items designated for hedges:						
Fair value hedge – FED	728,073	915	110,040	1,819,211	89,673	14,816
Fair value hedge – IRD	4,744,392	55,293	33,880	4,713,400	81,714	84,507
Hedge of net investments – FED	4,334,806	34,695	28,660	4,305,244	4,170	5,892
	9,807,271	90,903	172,580	10,837,855	175,557	105,215

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18. Derivative financial instruments (continued)

BANK (\$'000)	2013			2012		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	30,656,259	445,755	176,839	32,563,466	182,594	243,852
Swaps	150,941,323	1,300,711	1,728,107	139,435,895	1,254,259	953,905
OTC options – bought	10,969,791	130,743	8,305	7,839,724	91,888	4,988
OTC options – sold	8,364,103	7,711	153,435	7,093,459	3,029	101,956
	200,931,476	1,884,920	2,066,686	186,932,544	1,531,770	1,304,701
Interest rate derivatives ("IRD")						
Swaps	204,513,423	2,098,058	2,221,880	262,370,562	2,974,155	3,109,184
OTC options – bought	878,636	3,430	43	1,578,234	7,802	–
OTC options – sold	2,726,432	–	14,079	6,070,818	–	35,545
Exchange traded options – bought	75,888	1,307	–	36,655	146	–
Exchange traded options – sold	151,776	–	572	36,655	–	43
Exchange traded futures – bought	1,298,693	59	227	2,139,712	54	–
Exchange traded futures – sold	3,838,181	41	1,281	4,051,058	–	687
	213,483,029	2,102,895	2,238,082	276,283,694	2,982,157	3,145,459
Equity derivatives						
Swaps	241,644	3,174	4,922	80,811	264	2,898
OTC options – bought	152,375	10,488	–	114,482	15,118	220
OTC options – sold	55,290	925	1,312	148,569	1,117	3,363
Exchange traded futures – bought	19,138	4	12	82,927	223	310
Exchange traded futures – sold	39,119	–	204	21,532	117	–
Others	21,272	389	1	44,433	1,661	–
	528,838	14,980	6,451	492,754	18,500	6,791
Credit derivatives						
Swaps – protection buyer	10,419,693	36,931	142,534	8,734,288	48,974	116,205
Swaps – protection seller	9,048,109	141,436	32,972	8,291,104	106,424	44,537
	19,467,802	178,367	175,506	17,025,392	155,398	160,742
Other derivatives						
Precious metals – bought	47,329	11	5,117	34,845	749	102
Precious metals – sold	54,084	10,973	1	41,958	2,838	4
OTC options – bought	29,242	1,611	–	121,841	1,663	169
OTC options – sold	33,420	–	1,637	107,573	–	1,490
Commodity swaps	181,961	1,668	1,668	175,523	274	272
	346,036	14,263	8,423	481,740	5,524	2,037
Total	434,757,181	4,195,425	4,495,148	481,216,124	4,693,349	4,619,730
Included items designated for hedges:						
Fair value hedge – FED	728,073	915	110,040	1,819,211	89,673	14,816
Fair value hedge – IRD	4,168,816	54,243	27,924	4,120,886	78,808	76,853
Hedge of net investments – FED	263,059	1,002	947	560,081	52	796
	5,159,948	56,160	138,911	6,500,178	168,533	92,465

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18. Derivative financial instruments (continued)

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Derivative receivables:				
Analysed by counterparty				
Banks	3,383,878	3,163,444	2,830,004	2,936,461
Other financial institutions	939,931	1,265,592	697,664	1,185,303
Corporates	650,422	602,709	571,507	493,476
Individuals	132,848	52,256	26,842	8,096
Others	87,084	70,753	69,408	70,013
	5,194,163	5,154,754	4,195,425	4,693,349
Analysed by geography				
Singapore	1,604,087	2,176,972	1,635,711	2,163,142
Malaysia	318,164	182,101	12,373	35,558
Indonesia	111,089	24,605	13,357	6,243
Greater China	783,236	371,671	441,990	208,962
Other Asia Pacific	406,186	250,271	268,988	215,965
Rest of the World	1,971,401	2,149,134	1,823,006	2,063,479
	5,194,163	5,154,754	4,195,425	4,693,349

The analysis by geography is determined based on where the credit risk resides.

19. Other liabilities

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Bills payable	328,460	525,451	234,550	382,817
Interest payable	519,269	501,265	274,875	291,829
Sundry creditors	2,422,958	2,261,839	450,478	420,182
Others	979,893	1,034,538	455,951	447,892
	4,250,580	4,323,093	1,415,854	1,542,720

At 31 December 2013, reinsurance liabilities included in "Others" amounted to \$44.7 million (2012: \$24.3 million).

20. Deferred tax

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	1,126,865	1,079,709	38,922	116,533
Currency translation and others	(663)	(306)	930	478
Net credit to income statements (Note 10)	(15,599)	(18,756)	(3,445)	(12,221)
Over provision in prior years	(15,736)	(11,274)	(8,658)	(9,326)
Deferred tax on fair value change taken to other comprehensive income	(52,002)	(71,808)	(9,946)	(56,542)
Net change in life assurance fund tax	(37,673)	149,300	—	—
At 31 December	1,005,192	1,126,865	17,803	38,922

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For the financial year ended 31 December 2013

20. Deferred tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred tax liabilities				
Accelerated tax depreciation	82,266	74,950	45,722	38,788
Debt and equity securities	213,343	315,997	18,211	27,688
Fair value on properties from business combinations	64,295	67,024	59,258	61,698
Provision for policy liabilities	764,643	735,448	–	–
Others	70,900	74,873	609	485
	<u>1,195,447</u>	<u>1,268,292</u>	<u>123,800</u>	<u>128,659</u>
Amount offset against deferred tax assets	(83,461)	(97,989)	(64,290)	(63,480)
	<u>1,111,986</u>	<u>1,170,303</u>	<u>59,510</u>	<u>65,179</u>
Deferred tax assets				
Allowances for assets	(107,958)	(93,697)	(85,356)	(73,497)
Tax losses	(8,210)	(697)	(3,562)	–
Others	(74,087)	(47,033)	(17,079)	(16,240)
	<u>(190,255)</u>	<u>(141,427)</u>	<u>(105,997)</u>	<u>(89,737)</u>
Amount offset against deferred tax liabilities	83,461	97,989	64,290	63,480
	<u>(106,794)</u>	<u>(43,438)</u>	<u>(41,707)</u>	<u>(26,257)</u>
Net deferred tax liabilities	<u>1,005,192</u>	<u>1,126,865</u>	<u>17,803</u>	<u>38,922</u>

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2013, unutilised tax losses for which no deferred income tax asset has been recognised amounted to \$40.7 million (2012: \$24.3 million) and \$5.0 million (2012: nil) for the Group and Bank respectively.

21. Debt issued

	GROUP	
	2013 \$'000	2012 \$'000
Subordinated debt (unsecured) [Note 21.1]	4,411,958	5,126,972
Fixed and floating rate notes (unsecured) [Note 21.2]	4,340,107	3,021,787
Commercial papers (unsecured) [Note 21.3]	17,089,337	2,832,523
Structured notes (unsecured) [Note 21.4]	860,474	443,145
	<u>26,701,876</u>	<u>11,424,427</u>

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21. Debt issued (continued)

21.1 Subordinated debt (unsecured)

	Note	Issue date	Maturity date	GROUP	
				2013 S'000	2012 S'000
Issued by the Bank:					
MYR1 billion 4.60% bonds	(a)	27 Mar 2008	27 Mar 2018	–	399,583
MYR600 million 4.60% bonds	(a)	6 Jun 2008	6 Jun 2018	–	242,019
SGD711.93 million 5.60% notes	(b)	27 Mar 2009	27 Mar 2019	714,977	725,458
USD500 million 4.25% notes	(c)	18 Nov 2009	18 Nov 2019	644,687	634,463
USD500 million 3.75% notes	(d)	15 Nov 2010	15 Nov 2022	647,259	641,394
USD1 billion 3.15% notes	(e)	11 Sep 2012	11 Mar 2023	1,261,709	1,218,077
SGD400 million 3.93% notes	(f)	2 Feb 2005	20 Mar 2055	400,000	400,000
SGD1.5 billion 5.10% notes	(g)	27 Aug 2008	20 Sep 2058	1,500,000	1,500,000
				<u>5,168,632</u>	<u>5,760,994</u>
Subordinated debt issued to subsidiaries				<u>(1,900,000)</u>	<u>(1,900,000)</u>
Net subordinated debt issued by the Bank				<u>3,268,632</u>	<u>3,860,994</u>
Issued by OCBC Bank (Malaysia) Berhad (“OCBC Malaysia”):					
MYR200 million 5.40% Islamic bonds	(h)	24 Nov 2006	24 Nov 2021	77,096	79,919
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(i)	17 Apr 2009	Not applicable	154,192	159,838
MYR500 million 4.20% bonds	(j)	4 Nov 2010	4 Nov 2020	193,656	202,504
MYR600 million 4.00% bonds	(k)	15 Aug 2012	15 Aug 2022	227,951	239,141
				<u>652,895</u>	<u>681,402</u>
Issued by PT Bank OCBC NISP Tbk (“OCBC NISP”):					
IDR600 billion 11.10% Subordinated Bonds II	(l)	12 Mar 2008	11 Mar 2018	–	75,570
IDR880 billion 11.35% Subordinated Bonds III	(m)	30 Jun 2010	30 Jun 2017	91,131	110,305
				<u>91,131</u>	<u>185,875</u>
Issued by The Great Eastern Life Assurance Company Limited (“GEL”):					
SGD400 million 4.60% notes	(n)	19 Jan 2011	19 Jan 2026	399,300	399,200
Subordinated debt held by the Bank				–	(499)
Net subordinated debt issued by GEL				<u>399,300</u>	<u>398,701</u>
Total subordinated debt				<u>4,411,958</u>	<u>5,126,972</u>

- (a) The MYR1 billion subordinated bonds and MYR600 million subordinated bonds were fully redeemed by the Bank on 27 March 2013 and 6 June 2013 respectively.
- (b) The subordinated notes are redeemable in whole at the option of the Bank on 27 March 2014. Interest is payable semi-annually on 27 March and 27 September each year at 5.60% per annum up to 27 March 2014, and thereafter at 7.35% per annum if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

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21. Debt issued *(continued)*

21.1 Subordinated debt (unsecured) *(continued)*

- (c) The subordinated notes are redeemable in whole at the option of the Bank on 18 November 2014. Interest is payable semi-annually on 18 May and 18 November each year at 4.25% per annum up to 18 November 2014, and thereafter at a fixed rate per annum equal to the then relevant 5-year US Treasury benchmark rate plus 2.997% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.
- (d) The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. Interest is payable semi-annually on 15 May and 15 November each year at 3.75% per annum up to 15 November 2017, and thereafter quarterly on 15 February, 15 May, 15 August and 15 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate plus 1.848% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.
- (e) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.
- (f) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation in exchange for the proceeds from the issue of the \$400 million non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised.
- (g) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the \$1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.
- (h) The Islamic subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 24 November 2016 and each profit payment date thereafter. The subordinated bonds were issued under the Mudharabah (profit sharing) principle with a projected constant rate of 5.40% per annum, payable semi-annually on 24 May and 24 November each year, up to 24 November 2016, and thereafter at 6.40% per annum if the redemption option is not exercised. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 24 November 2017. The subordinated bonds qualify as Tier 2 capital for the Group.

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21. Debt issued *(continued)*

21.1 Subordinated debt (unsecured) *(continued)*

- (i) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Additional Tier 1 capital for the Group.
- (j) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 4 November 2015 and each interest payment date thereafter. Interest is payable semi-annually on 4 May and 4 November each year at 4.20% per annum. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 4 November 2016. OCBC Malaysia had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.
- (k) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 15 August 2017 and each interest payment date thereafter. Interest is payable semi-annually on 15 February and 15 August each year at 4.00% per annum. OCBC Malaysia had entered into interest rate swaps to partially manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.
- (l) The subordinated bonds were fully redeemed by OCBC NISP on 12 March 2013.
- (m) Interest is payable quarterly on 30 March, 30 June, 30 September and 30 December each year at 11.35% per annum. The subordinated bonds qualify as Tier 2 capital for the Group.
- (n) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

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21. Debt issued (continued)

21.2 Fixed and floating rate notes (unsecured)

	Note	Issue date	Maturity date	GROUP	
				2013 \$'000	2012 \$'000
Issued by the Bank:					
AUD500 million floating rate notes	(a)	14 Jul 2011	14 Jul 2014	564,870	635,230
HKD1 billion 2.20% fixed rate notes	(b)	19 Jan 2012	19 Jan 2017	163,687	160,381
AUD600 million floating rate notes	(c)	5 Mar 2012	5 Mar 2015	677,755	763,846
USD1 billion 1.625% fixed rate bonds	(d)	13 Mar 2012	13 Mar 2015	1,265,382	1,221,467
USD125 million floating rate notes	(e)	23 May 2012	23 May 2013	–	152,731
USD560 million floating rate notes	(f)	13 Aug 2012 – 16 Dec 2013	25 Jan 2014 – 16 Dec 2016	708,205	48,874
CNH200 million 3.50% fixed rate notes	(g)	18 Dec 2012	18 Dec 2019	–	39,258
CNH500 million 3.50% fixed rate notes	(h)	5 Feb 2013	5 Feb 2020	104,418	–
AUD400 million floating rate notes	(i)	22 Aug 2013	22 Aug 2016	451,670	–
				3,935,987	3,021,787
Issued by a subsidiary:					
IDR973 billion 6.40% fixed rate notes	(j)	19 Feb 2013	1 Mar 2014	101,128	–
IDR529 billion 6.90% fixed rate notes	(j)	19 Feb 2013	19 Feb 2015	54,891	–
IDR1,498 billion 7.40% fixed rate notes	(j)	19 Feb 2013	19 Feb 2016	155,346	–
IDR900 billion 7.00% fixed rate notes	(j)	18 Apr 2013	18 Apr 2016	92,755	–
				404,120	–
Total fixed and floating rate notes				4,340,107	3,021,787

- (a) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 0.83%.
- (b) Interest is payable quarterly at 2.20% per annum.
- (c) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 1.25%.
- (d) Interest is payable semi-annually at 1.625% per annum.
- (e) The notes were fully redeemed by the Bank on 23 May 2013.
- (f) Interest is payable quarterly equal to the 3-month US Dollar London Interbank Offer Rate plus a margin up to 0.60%.
- (g) The notes were purchased and cancelled by the Bank on 5 February 2013.
- (h) Interest is payable semi-annually at 3.50% per annum.
- (i) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 0.68%.
- (j) Interest is payable quarterly.

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21. Debt issued (continued)

21.3 Commercial papers (unsecured)

	Note	GROUP	
		2013 \$'000	2012 \$'000
Issued by the Bank	(a)	16,948,995	2,692,969
Issued by a subsidiary	(b)	140,342	139,554
		<u>17,089,337</u>	<u>2,832,523</u>

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding at 31 December 2013 were issued between 24 July 2013 (2012: 26 April 2012) and 23 December 2013 (2012: 27 December 2012), and mature between 2 January 2014 (2012: 2 January 2013) and 10 June 2014 (2012: 27 June 2013), yielding between 0.13% and 2.64% (2012: 0.15% and 3.50%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2013 were issued between 22 August 2013 (2012: 23 May 2012) and 30 December 2013 (2012: 21 December 2012), and mature between 6 January 2014 (2012: 3 January 2013) and 3 March 2014 (2012: 1 March 2013), with interest rate ranging from 3.33% to 3.49% (2012: 3.33% to 3.65%).

21.4 Structured notes (unsecured)

	Issue date	Maturity date	GROUP AND BANK	
			2013 \$'000	2012 \$'000
Issued by the Bank:				
Credit linked notes	16 Dec 2011 - 24 Dec 2013	20 Jun 2014 - 8 Sep 2025	612,374	287,348
Fixed rate notes	25 Jul 2012 - 3 Dec 2013	25 Jul 2017 - 3 Dec 2038	164,400	114,257
Foreign exchange linked notes	4 Mar 2013 - 28 Mar 2013	28 Feb 2014 - 23 Mar 2015	40,746	–
Interest rate linked notes	25 Jun 2013	27 Jun 2016	10,000	–
Equity-linked notes	19 Nov 2013 - 31 Dec 2013	2 Jan 2014 - 26 Mar 2014	23,847	41,540
Commodity linked notes	15 Oct 2013 - 5 Dec 2013	23 Apr 2014 - 12 Jun 2014	9,107	–
			<u>860,474</u>	<u>443,145</u>

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for \$442.2 million as at 31 December 2013 (2012: \$211.3 million) included under credit linked notes which were held at fair value through profit or loss.

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For the financial year ended 31 December 2013

22. Life assurance fund liabilities and investment assets

	GROUP	
	2013 \$ million	2012 \$ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	47,057.9	44,420.8
Currency translation	(795.2)	(498.4)
Fair value reserve movements	(529.2)	69.6
Change in life assurance fund contract liabilities (Note 4)	1,843.8	3,065.9
At 31 December	47,577.3	47,057.9
Policy benefits	2,789.7	2,512.5
Others	2,815.6	2,816.6
	53,182.6	52,387.0
Life assurance fund investment assets		
Deposits with banks and financial institutions	2,711.4	2,857.1
Loans	4,072.5	3,316.1
Securities	44,334.2	43,663.8
Investment property	1,561.0	1,531.6
Others ⁽¹⁾	725.8	902.8
	53,404.9	52,271.4
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	3.6	4.6
Capital commitment authorised and contracted	72.8	81.1
Derivative financial instruments (principal notional amount)	8,014.3	8,248.4
Derivative receivables	241.3	488.6
Derivative payables	184.3	41.8
Minimum lease rental receivables under non-cancellable operating leases	63.9	75.0

⁽¹⁾ Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

23. Cash and placements with central banks

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash on hand	610,092	664,261	439,943	515,718
Balances with central banks	7,474,030	5,557,298	4,942,460	3,382,850
Money market placements and reverse repos	11,256,688	10,175,274	7,330,577	5,483,085
	19,340,810	16,396,833	12,712,980	9,381,653

Balances with central banks include mandatory reserve deposits of \$5,258.2 million (2012: \$4,703.6 million) and \$2,762.0 million (2012: \$2,548.2 million) for the Group and Bank respectively.

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24. Government treasury bills and securities

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Singapore government treasury bills and securities				
Trading, at fair value	1,553,350	1,387,525	1,553,350	1,387,525
Available-for-sale, at fair value	9,856,461	11,492,379	9,448,816	10,692,392
Fair value at initial recognition	539,600	379,817	–	–
Gross securities	11,949,411	13,259,721	11,002,166	12,079,917
Assets pledged (Note 45)	(230,687)	(118,497)	(230,687)	(118,497)
	11,718,724	13,141,224	10,771,479	11,961,420
Other government treasury bills and securities				
Trading, at fair value	1,222,524	1,785,956	1,051,512	1,740,293
Available-for-sale, at fair value	7,688,891	7,390,484	3,511,098	4,377,781
Gross securities	8,911,415	9,176,440	4,562,610	6,118,074
Assets pledged (Note 45)	(19,302)	(19,687)	(19,302)	(19,687)
	8,892,113	9,156,753	4,543,308	6,098,387
Gross securities analysed by geography				
Singapore	11,949,411	13,259,721	11,002,166	12,079,917
Malaysia	2,791,507	2,238,012	128,471	92,561
Indonesia	1,629,965	1,040,060	125,312	182,635
Greater China	1,128,441	1,418,577	1,008,622	1,418,576
Other Asia Pacific	2,856,996	3,883,811	2,848,745	3,876,061
Rest of the World	504,506	595,980	451,460	548,241
	20,860,826	22,436,161	15,564,776	18,197,991

25. Placements with and loans to banks

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At fair value:				
Certificate of deposits purchased (Trading)	509,277	207,747	509,277	207,747
Certificate of deposits purchased (Available-for-sale)	8,158,678	10,062,287	7,475,044	9,209,132
	8,667,955	10,270,034	7,984,321	9,416,879
At amortised cost:				
Placements with and loans to banks	23,722,854	17,879,608	17,771,805	11,191,660
Market bills purchased	5,859,093	1,873,608	5,857,816	1,873,608
Reverse repos	1,683,522	484,982	–	–
	31,265,469	20,238,198	23,629,621	13,065,268
Balances with banks	39,933,424	30,508,232	31,613,942	22,482,147
Assets pledged (Note 45)	(793,115)	(1,464,467)	(793,115)	(1,464,467)
Bank balances of life assurance fund – at amortised cost	432,191	767,163	–	–
	39,572,500	29,810,928	30,820,827	21,017,680

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25. Placements with and loans to banks (continued)

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balances with banks analysed:				
By currency				
Singapore Dollar	714,616	391,763	470,549	317,212
US Dollar	24,047,733	14,891,213	22,502,188	12,691,586
Malaysian Ringgit	818,515	1,385,740	41	109
Indonesian Rupiah	194,054	67,971	1	1
Japanese Yen	219,008	442,471	122,640	363,518
Hong Kong Dollar	1,076,768	1,271,101	1,064,895	1,268,729
British Pound	455,101	1,013,516	451,911	1,009,478
Australian Dollar	1,238,813	2,134,185	1,200,525	2,004,248
Euro	46,822	1,171,912	34,551	1,165,627
Others	11,121,994	7,738,360	5,766,641	3,661,639
	39,933,424	30,508,232	31,613,942	22,482,147
By geography				
Singapore	1,539,302	1,305,918	1,371,164	1,234,655
Malaysia	2,599,140	2,967,583	1,422,157	669,244
Indonesia	742,431	382,339	570,400	315,001
Greater China	24,574,523	17,666,708	18,754,281	12,664,937
Other Asia Pacific	2,052,475	4,814,495	1,980,558	4,736,746
Rest of the World	8,425,553	3,371,189	7,515,382	2,861,564
	39,933,424	30,508,232	31,613,942	22,482,147

The analysis by geography is determined based on where the credit risk resides.

26. Loans and bills receivable

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Gross loans	169,619,654	144,030,440	126,283,828	105,301,591
Specific allowances (Note 28)	(230,021)	(303,498)	(96,097)	(133,926)
Portfolio allowances (Note 29)	(1,511,044)	(1,350,464)	(1,107,599)	(1,011,065)
Net loans	167,878,589	142,376,478	125,080,132	104,156,600
Assets pledged (Note 45)	(24,503)	–	–	–
	167,854,086	142,376,478	125,080,132	104,156,600
Bills receivable	19,353,551	9,874,156	17,418,292	8,337,025
Loans	148,525,038	132,502,322	107,661,840	95,819,575
Net loans	167,878,589	142,376,478	125,080,132	104,156,600
26.1 Analysed by currency				
Singapore Dollar	73,907,342	70,141,316	72,584,860	68,376,147
US Dollar	45,702,407	31,680,402	35,233,143	23,532,756
Malaysian Ringgit	20,493,525	18,403,794	141	166
Indonesian Rupiah	4,724,927	4,989,282	–	–
Japanese Yen	1,627,561	1,919,733	443,624	599,359
Hong Kong Dollar	5,797,600	5,110,505	5,059,754	4,377,786
British Pound	3,660,574	2,300,292	2,366,782	1,461,780
Australian Dollar	3,487,662	3,698,219	3,315,822	3,529,736
Euro	1,963,576	1,133,721	1,374,421	797,400
Others	8,254,480	4,653,176	5,905,281	2,626,461
	169,619,654	144,030,440	126,283,828	105,301,591

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26. Loans and bills receivable (continued)

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
26.2 Analysed by product				
Overdrafts	8,333,991	6,945,516	1,093,682	1,175,550
Short-term and revolving loans	24,671,414	21,110,339	12,933,700	10,956,105
Syndicated and term loans	63,560,241	57,140,246	52,948,584	47,075,382
Housing and commercial property loans	44,435,903	40,190,539	34,945,715	31,879,500
Car, credit card and share margin loans	2,600,986	2,794,648	2,354,502	2,036,468
Others	26,017,119	15,849,152	22,007,645	12,178,586
	169,619,654	144,030,440	126,283,828	105,301,591
26.3 Analysed by industry				
Agriculture, mining and quarrying	6,279,020	4,862,736	4,343,331	3,097,650
Manufacturing	10,068,399	8,196,914	4,433,766	3,337,780
Building and construction	24,904,541	22,387,826	20,632,234	17,841,981
Housing	42,075,099	37,809,235	32,478,874	29,337,663
General commerce	27,893,390	17,502,298	22,491,430	13,011,458
Transport, storage and communication	10,989,203	9,105,774	9,351,698	7,529,643
Financial institutions, investment and holding companies	22,469,723	22,456,318	16,746,331	17,517,562
Professionals and individuals	16,208,342	14,272,201	9,012,125	8,075,516
Others	8,731,937	7,437,138	6,794,039	5,552,338
	169,619,654	144,030,440	126,283,828	105,301,591
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	5,329,171	6,129,952	5,232,923	6,030,387
Malaysia	2,058,338	1,926,261	–	–
Indonesia	1,516,844	1,733,716	–	–
Greater China	3,750,800	1,460,677	3,717,858	1,460,671
Other Asia Pacific	62,060	56,858	62,060	56,858
Rest of the World	608	573	608	573
	12,717,821	11,308,037	9,013,449	7,548,489
Variable				
Singapore	111,292,961	91,078,172	100,725,683	81,835,401
Malaysia	23,460,481	21,416,456	3,497,644	3,898,853
Indonesia	5,173,244	4,980,906	–	–
Greater China	9,843,513	9,130,289	5,917,287	5,904,265
Other Asia Pacific	4,257,989	4,360,967	4,256,121	4,358,970
Rest of the World	2,873,645	1,755,613	2,873,644	1,755,613
	156,901,833	132,722,403	117,270,379	97,753,102
Total	169,619,654	144,030,440	126,283,828	105,301,591

The analysis by interest rate sensitivity is based on where the transactions are booked.

26.5 Analysed by geography

Singapore	83,920,117	75,215,488	80,888,795	72,887,754
Malaysia	25,256,630	23,157,061	3,437,746	3,417,694
Indonesia	11,890,203	10,678,702	4,720,439	5,553,187
Greater China	27,182,689	17,378,849	22,234,486	13,369,404
Other Asia Pacific	8,357,507	8,253,418	7,639,030	5,486,114
Rest of the World	13,012,508	9,346,922	7,363,332	4,587,438
	169,619,654	144,030,440	126,283,828	105,301,591

The analysis by geography is determined based on where the credit risk resides.

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27. Non-performing loans (“NPLs”), debt securities and contingents

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

\$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2013						
Classified loans	787	308	144	1,239	(228)	1,011
Classified debt securities	–	3	1	4	(3)	1
Classified contingents	57	1	3	61	(3)	58
Total classified assets	844	312	148	1,304	(234)	1,070
2012						
Classified loans	698	298	149	1,145	(300)	845
Classified debt securities	–	3	1	4	(3)	1
Classified contingents	19	1	3	23	(2)	21
Total classified assets	717	302	153	1,172	(305)	867
BANK						
2013						
Classified loans	469	124	67	660	(96)	564
Classified debt securities	–	–	–	–	–	–
Classified contingents	30	–	–	30	–	30
Total classified assets	499	124	67	690	(96)	594
2012						
Classified loans	461	158	49	668	(134)	534
Classified debt securities	–	#	#	#	(#)	–
Classified contingents	1	–	–	1	–	1
Total classified assets	462	158	49	669	(134)	535

⁽¹⁾ # represents amounts less than \$0.5 million.

	GROUP		BANK	
	2013 \$ million	2012 \$ million	2013 \$ million	2012 \$ million
27.1 Analysed by period overdue				
Over 180 days	284	328	106	50
Over 90 days to 180 days	155	81	59	40
30 days to 90 days	193	160	80	116
Less than 30 days	11	10	8	7
No overdue	661	593	437	456
	1,304	1,172	690	669
27.2 Analysed by collateral type				
Property	582	563	282	317
Fixed deposit	9	3	1	1
Stock and shares	1	#	#	#
Motor vehicles	3	4	3	3
Secured – Others	147	104	92	67
Unsecured – Corporate and other guarantees	170	147	159	147
Unsecured – Clean	392	351	153	134
	1,304	1,172	690	669

⁽¹⁾ # represents amounts less than \$0.5 million.

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27. Non-performing loans (“NPLs”), debt securities and contingents (continued)

	GROUP		BANK	
	2013 \$ million	2012 \$ million	2013 \$ million	2012 \$ million
27.3 Analysed by industry				
Agriculture, mining and quarrying	10	6	#	#
Manufacturing	465	383	192	215
Building and construction	164	204	108	151
Housing	217	192	115	79
General commerce	126	105	58	29
Transport, storage and communication	100	77	69	63
Financial institutions, investment and holding companies	49	92	41	85
Professionals and individuals	91	87	44	43
Others	82	26	63	4
	1,304	1,172	690	669

⁽¹⁾ # represents amounts less than \$0.5 million.

27.4 Analysed by geography

	2013				2012			
	Singapore	Malaysia	Rest of the World	Total	Singapore	Malaysia	Rest of the World	Total
\$ million								
GROUP								
Substandard	77	331	436	844	91	251	375	717
Doubtful	79	175	58	312	119	134	49	302
Loss	67	42	39	148	48	47	58	153
	223	548	533	1,304	258	432	482	1,172
Specific allowances	(50)	(104)	(80)	(234)	(105)	(127)	(73)	(305)
	173	444	453	1,070	153	305	409	867
BANK								
Substandard	77	13	409	499	91	10	361	462
Doubtful	79	2	43	124	119	–	39	158
Loss	67	–	#	67	48	–	1	49
	223	15	452	690	258	10	401	669
Specific allowances	(50)	(#)	(46)	(96)	(105)	(3)	(26)	(134)
	173	15	406	594	153	7	375	535

⁽¹⁾ # represents amounts less than \$0.5 million.

Non-performing loans (“NPLs”), debt securities and contingents by geography are determined based on where the credit risk resides.

27.5 Restructured/renegotiated loans

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 8.9% (2012: 16.7%) and 15.5% (2012: 27.8%) for the Group and the Bank respectively.

	2013		2012	
	Amount \$ million	Allowance \$ million	Amount \$ million	Allowance \$ million
GROUP				
Substandard	95	2	173	10
Doubtful	20	18	22	33
Loss	1	1	#	#
	116	21	195	43
BANK				
Substandard	93	2	168	8
Doubtful	13	11	18	28
Loss	#	#	#	#
	106	13	186	36

⁽¹⁾ # represents amounts less than \$0.5 million.

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28. Specific allowances

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	303,498	302,383	133,926	106,340
Currency translation	(17,788)	(12,426)	(454)	(3,548)
Bad debts written off	(131,831)	(93,471)	(94,855)	(55,350)
Recovery of amounts previously provided for	(54,954)	(42,605)	(27,975)	(27,590)
Allowances for loans	136,332	157,827	89,649	120,335
Net allowances charged to income statements (Note 9)	81,378	115,222	61,674	92,745
Interest recognition on impaired loans	(5,236)	(8,210)	(4,194)	(6,261)
At 31 December (Note 26)	230,021	303,498	96,097	133,926

Analysed by industry

	Cumulative specific allowances		Specific allowances charged/(write-back) to income statements	
	2013 \$ million	2012 \$ million	2013 \$ million	2012 \$ million
GROUP				
Agriculture, mining and quarrying	2	2	#	#
Manufacturing	67	87	34	26
Building and construction	8	23	(17)	1
Housing	29	36	(2)	4
General commerce	33	44	18	9
Transport, storage and communication	6	26	(13)	17
Financial institutions, investment and holding companies	7	9	1	(3)
Professionals and individuals	60	57	54	56
Others	18	19	6	5
	230	303	81	115
BANK				
Agriculture, mining and quarrying	#	#	#	(#)
Manufacturing	45	57	31	24
Building and construction	1	6	(1)	3
Housing	#	#	(2)	#
General commerce	6	7	5	6
Transport, storage and communication	1	20	(15)	17
Financial institutions, investment and holding companies	4	5	1	(3)
Professionals and individuals	37	36	40	43
Others	2	3	3	3
	96	134	62	93

⁽¹⁾ # represents amounts less than \$0.5 million.

29. Portfolio allowances

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At 1 January	1,350,464	1,219,577	1,011,065	929,471
Currency translation	(22,734)	(16,711)	(433)	(6,184)
Allowances charged to income statements (Note 9)	183,314	147,598	96,967	87,778
At 31 December (Note 26)	1,511,044	1,350,464	1,107,599	1,011,065

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30. Debt and equity securities

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trading securities				
Quoted debt securities	1,334,564	1,119,217	1,159,563	887,544
Unquoted debt securities	2,009,198	804,105	1,982,692	632,331
Quoted equity securities	213,287	156,944	208,400	155,176
Quoted investment funds	11,900	9,815	11,900	9,815
Unquoted investment funds	45,692	22,587	45,692	22,587
	3,614,641	2,112,668	3,408,247	1,707,453
Available-for-sale securities				
Quoted debt securities	8,071,764	6,505,733	5,754,497	4,782,004
Unquoted debt securities	5,324,044	3,700,210	3,638,758	2,178,439
Quoted equity securities	2,638,155	2,138,506	619,583	555,006
Unquoted equity securities	136,703	161,374	86,433	21,560
Quoted investment funds	224,104	192,577	20,555	20,044
Unquoted investment funds	326,360	19,186	10,791	9,392
	16,721,130	12,717,586	10,130,617	7,566,445
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	308,658	555,240	229,083	418,198
Total debt and equity securities				
Debt securities	17,048,228	12,684,505	12,764,593	8,898,516
Equity securities	2,988,145	2,456,824	914,416	731,742
Investment funds	608,056	244,165	88,938	61,838
Total securities	20,644,429	15,385,494	13,767,947	9,692,096
Assets pledged (Note 45)	(1,042,115)	(453,504)	(876,730)	(343,684)
	19,602,314	14,931,990	12,891,217	9,348,412
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	9,061,775	7,276,041	7,227,947	5,875,389
Non-investment grade (BB to C)	328,409	235,782	284,247	200,950
Non-rated	7,658,044	5,172,682	5,252,399	2,822,177
	17,048,228	12,684,505	12,764,593	8,898,516
By credit quality				
Pass	17,047,466	12,671,322	12,764,593	8,885,964
Special mention	–	12,552	–	12,552
Substandard	–	–	–	–
Doubtful	762	631	–	–
Loss	–	–	–	–
	17,048,228	12,684,505	12,764,593	8,898,516

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30. Debt and equity securities (continued)

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	735,736	408,254	636,282	345,867
Manufacturing	1,211,822	585,160	579,492	182,031
Building and construction	1,930,602	1,520,989	1,332,623	881,715
General commerce	1,137,622	361,637	988,265	252,660
Transport, storage and communication	1,334,396	921,623	856,940	574,366
Financial institutions, investment and holding companies	10,572,710	9,212,423	7,457,000	6,437,240
Others	3,721,541	2,375,408	1,917,345	1,018,217
	20,644,429	15,385,494	13,767,947	9,692,096
By issuer				
Public sector	2,673,176	1,545,949	2,223,673	1,265,405
Banks	6,958,113	5,933,112	4,980,357	4,257,900
Corporations	10,244,926	7,212,368	6,526,976	4,131,557
Others	768,214	694,065	36,941	37,234
	20,644,429	15,385,494	13,767,947	9,692,096
By geography				
Singapore	4,059,752	3,689,248	2,719,766	2,458,037
Malaysia	1,907,837	1,994,262	293,172	446,604
Indonesia	632,936	395,504	462,814	187,132
Greater China	6,887,271	3,623,488	4,637,374	1,908,758
Other Asia Pacific	3,919,717	3,365,215	3,187,068	2,925,217
Rest of the World	3,236,916	2,317,777	2,467,753	1,766,348
	20,644,429	15,385,494	13,767,947	9,692,096

The analysis by geography is determined based on country of incorporation.

31. Other assets

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest receivable	799,483	737,162	510,807	466,891
Sundry debtors (net)	1,966,797	2,068,349	47,342	20,229
Deposits and prepayments	247,796	299,003	153,046	175,190
Others	886,327	740,113	600,016	485,031
	3,900,403	3,844,627	1,311,211	1,147,341

At 31 December 2013, reinsurance assets included in "Others" amounted to \$126.8 million (2012: \$111.0 million).

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32. Allowances for impairment of securities and other assets

GROUP (\$'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2012	7,085	66,428	6,456	35,576	115,545
Currency translation	(417)	(304)	(72)	(1,846)	(2,639)
Amounts written off	(6,450)	–	(914)	(18,783)	(26,147)
(Write-back)/impairment charge to income statements (Note 9)	(218)	–	(552)	4,029	3,259
Transfers (to)/from other accounts	–	–	(977)	3,605	2,628
At 31 December 2012/1 January 2013	–	66,124	3,941	22,581	92,646
Currency translation	–	(480)	(12)	(362)	(854)
Amounts written off	–	(20)	(2)	(6,497)	(6,519)
Write-back to income statements (Note 9)	–	(268)	(974)	(1,073)	(2,315)
Transfers to other accounts	–	–	(235)	(239)	(474)
At 31 December 2013	–	65,356	2,718	14,410	82,484

(Note 35) (Note 36)

BANK (\$'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2012	5,287	6,824	946	4,717	5,195	22,969
Currency translation	–	(414)	–	(38)	(388)	(840)
Amounts written off	–	(6,450)	–	(914)	–	(7,364)
Impairment charge to income statements (Note 9)	–	40	–	111	454	605
Transfers to other accounts	–	–	–	(607)	–	(607)
At 31 December 2012/1 January 2013	5,287	–	946	3,269	5,261	14,763
Currency translation	–	–	–	–	108	108
Amounts written off	–	–	–	(2)	(5,216)	(5,218)
(Write-back)/impairment charge to income statements (Note 9)	–	–	–	(507)	232	(275)
Transfers to other accounts	–	–	–	(235)	–	(235)
At 31 December 2013	5,287	–	946	2,525	385	9,143

(Notes 33-34) (Note 35) (Note 36)

33. Associates and joint ventures

	GROUP		BANK	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Unquoted equity securities, at cost	287,581	308,677	172,353	193,449
Allowance for impairment (Note 32)	–	–	(2,199)	(2,199)
Net carrying value	287,581	308,677	170,154	191,250
Share of post-acquisition reserves	92,107	46,177	–	–
Amount due from associates (unsecured)	80	38	–	–
	379,768	354,892	170,154	191,250

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33. Associates and joint ventures (continued)

33.1 Associates

The summarised financial information of associates not adjusted for the proportion of ownership interest held by the Group is as follows:

\$'000	2013	2012
At 31 December:		
Assets	1,479,979	1,126,771
Liabilities	(281,791)	(229,496)
Contingent liabilities	1,216	1,323
For the year ended:		
Total income	475,491	387,452
Profit/(loss)	182,463	140,379

Details of the principal associates of the Group are as follows:

Name of associate	Country of incorporation	Effective % interest held	2013	2012
Unquoted				
AVIC Trust Co., Ltd ⁽¹⁾	People's Republic of China	20	20	20
Network For Electronic Transfers (Singapore) Pte Ltd ⁽²⁾	Singapore	33	33	33

⁽¹⁾ Audited by Grant Thornton.

⁽²⁾ Audited by PricewaterhouseCoopers.

33.2 Joint ventures

The Group holds 50% interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). The summarised financial information of GEL China based on the Group's 50% interest is as follows:

\$ million	2013	2012
At 31 December:		
Share of current assets	188.3	151.1
Share of non-current assets	72.4	45.3
Share of current liabilities	(97.1)	(38.0)
Share of non-current liabilities	(100.6)	(90.9)
For the year ended:		
Share of income	36.7	39.0
Share of expenses	(44.6)	(42.3)

34. Subsidiaries

	BANK	
	2013	2012
	\$'000	\$'000
Investments in subsidiaries, at cost		
Quoted security	1,895,642	1,895,642
Unquoted securities	5,024,684	3,872,896
Allowance for impairment (Note 32)	(3,088)	(3,088)
Net carrying value	<u>6,917,238</u>	<u>5,765,450</u>
Unsecured loans and receivables	8,713,125	4,744,058
Secured loans and receivables	665,000	1,067,200
Amount due from subsidiaries	<u>9,378,125</u>	<u>5,811,258</u>
Investments in and amount due from subsidiaries	<u>16,295,363</u>	<u>11,576,708</u>

During the financial year, the Bank increased its investments in unquoted subsidiaries, mainly through the subscription of preference shares issued by 2 subsidiaries. The proceeds from the preference shares were in turn used for the rights issue subscription of PT Bank OCBC NISP Tbk and for restructuring and funding purposes.

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34. Subsidiaries (continued)

At 31 December 2013, the fair values of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were \$7,244.9 million (2012: \$6,461.0 million) and \$944.1 million (2012: \$1,246.3 million) respectively.

34.1 List of principal subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held ⁽³⁾	
		2013	2012
Banking			
Bank of Singapore Limited	Singapore	100	100
OCBC Al-Amin Bank Berhad	Malaysia	100	100
OCBC Bank (Malaysia) Berhad	Malaysia	100	100
OCBC Bank (China) Limited	People's Republic of China	100	100
PT Bank OCBC NISP Tbk ⁽¹⁾ (Note 34.2)	Indonesia	85	85
Insurance			
Great Eastern Life Assurance (Malaysia) Berhad ⁽²⁾	Malaysia	87	87
Overseas Assurance Corporation (Malaysia) Berhad ⁽²⁾	Malaysia	87	87
The Great Eastern Life Assurance Company Limited ⁽²⁾	Singapore	87	87
The Overseas Assurance Corporation Limited ⁽²⁾	Singapore	87	87
Asset management and investment holding			
Lion Global Investors Limited ⁽²⁾	Singapore	91	91
Great Eastern Holdings Limited ⁽²⁾	Singapore	87	87
Stockbroking			
OCBC Securities Private Limited	Singapore	100	100

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.

⁽¹⁾ Audited by PricewaterhouseCoopers.

⁽²⁾ Audited by Ernst & Young.

⁽³⁾ Rounded to the nearest percentage.

34.2 Acquisition of interests in a subsidiary

During the financial year, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., subscribed for a total of 2,487,449,999 new shares pursuant to the rights issue undertaken by PT Bank OCBC NISP Tbk ("OCBC NISP"), at an issue price of IDR1,200 per share. The aggregate consideration for the rights issue subscription amounted to \$326 million. The Group's interest in OCBC NISP remains unchanged.

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35. Property, plant and equipment

GROUP (\$'000)	2013				2012			
	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	1,469,557	1,272,389	480,271	3,222,217	1,457,560	1,121,832	435,781	3,015,173
Currency translation	(19,566)	(23,336)	(8,264)	(51,166)	(16,438)	(18,249)	(9,675)	(44,362)
Acquisition of a subsidiary	–	–	–	–	–	521	300	821
Additions	42,430	198,040	78,927	319,397	20,053	204,969	60,877	285,899
Disposals and other transfers	(16,774)	(22,220)	(14,196)	(53,190)	(6,425)	(36,684)	(7,012)	(50,121)
Transfer from/(to) investment property (Note 36)	169,770	–	(12)	169,758	14,807	–	–	14,807
At 31 December	<u>1,645,417</u>	<u>1,424,873</u>	<u>536,726</u>	<u>3,607,016</u>	<u>1,469,557</u>	<u>1,272,389</u>	<u>480,271</u>	<u>3,222,217</u>
Accumulated depreciation								
At 1 January	(338,325)	(802,187)	(312,996)	(1,453,508)	(310,696)	(692,867)	(281,312)	(1,284,875)
Currency translation	6,072	15,971	6,403	28,446	4,444	11,344	6,696	22,484
Acquisition of a subsidiary	–	–	–	–	–	(144)	(121)	(265)
Disposals and other transfers	9,320	22,142	15,197	46,659	231	18,499	9,103	27,833
Depreciation charge	(15,491)	(127,628)	(48,728)	(191,847)	(14,112)	(111,968)	(41,305)	(167,385)
Depreciation charge to profit from life assurance (Note 4)	(19,713)	(29,047)	(6,536)	(55,296)	(13,636)	(27,051)	(6,057)	(46,744)
Transfer (from)/to investment property (Note 36)	(18,021)	–	3	(18,018)	(4,556)	–	–	(4,556)
At 31 December	<u>(376,158)</u>	<u>(920,749)</u>	<u>(346,657)</u>	<u>(1,643,564)</u>	<u>(338,325)</u>	<u>(802,187)</u>	<u>(312,996)</u>	<u>(1,453,508)</u>
Accumulated impairment losses (Note 32)								
At 1 January	(65,525)	(63)	(536)	(66,124)	(65,829)	(63)	(536)	(66,428)
Currency translation	479	–	1	480	304	–	–	304
Disposals	–	–	20	20	–	–	–	–
Write-back/(impairment charge) to income statements	288	–	(20)	268	–	–	–	–
At 31 December	<u>(64,758)</u>	<u>(63)</u>	<u>(535)</u>	<u>(65,356)</u>	<u>(65,525)</u>	<u>(63)</u>	<u>(536)</u>	<u>(66,124)</u>
Net carrying value, at 31 December	<u>1,204,501</u>	<u>504,061</u>	<u>189,534</u>	<u>1,898,096</u>	<u>1,065,707</u>	<u>470,139</u>	<u>166,739</u>	<u>1,702,585</u>
Freehold property	332,361				310,289			
Leasehold property	872,140				755,418			
Net carrying value	<u>1,204,501</u>				<u>1,065,707</u>			
Market value	<u>2,726,796</u>				<u>2,368,792</u>			

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

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35. Property, plant and equipment (continued)

BANK (\$'000)	2013				2012			
	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	256,190	608,142	137,017	1,001,349	245,797	506,747	116,142	868,686
Currency translation	(15)	(37)	(43)	(95)	(12)	(123)	(457)	(592)
Additions	1,368	120,119	20,484	141,971	–	107,191	22,804	129,995
Disposals and other transfers	–	(14,298)	(2,703)	(17,001)	–	(5,673)	(1,472)	(7,145)
Transfer from investment property (Note 36)	10,437	–	–	10,437	10,405	–	–	10,405
At 31 December	267,980	713,926	154,755	1,136,661	256,190	608,142	137,017	1,001,349
Accumulated depreciation								
At 1 January	(67,553)	(370,239)	(88,681)	(526,473)	(60,458)	(304,818)	(77,175)	(442,451)
Currency translation	9	38	5	52	6	104	284	394
Disposals and other transfers	–	12,067	1,603	13,670	–	5,311	1,321	6,632
Depreciation charge	(5,067)	(81,590)	(15,087)	(101,744)	(4,837)	(70,836)	(13,111)	(88,784)
Transfer from investment property (Note 36)	(3,410)	–	–	(3,410)	(2,264)	–	–	(2,264)
At 31 December	(76,021)	(439,724)	(102,160)	(617,905)	(67,553)	(370,239)	(88,681)	(526,473)
Accumulated impairment losses (Note 32)								
At 1 January/ At 31 December	(946)	–	–	(946)	(946)	–	–	(946)
Net carrying value, at 31 December	191,013	274,202	52,595	517,810	187,691	237,903	48,336	473,930
Freehold property	44,536				36,422			
Leasehold property	146,477				151,269			
Net carrying value	191,013				187,691			
Market value	508,507				403,429			

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

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36. Investment property

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cost				
At 1 January	1,078,920	1,119,631	663,770	665,780
Currency translation	11,657	(13,829)	576	(1,127)
Additions	16,367	17,335	16,112	16,180
Disposals	(9,686)	(18,850)	(4,852)	(2,801)
Transfer to:				
Property, plant and equipment (Note 35)	(169,758)	(14,807)	(10,437)	(10,405)
Assets held for sale	(7,766)	(10,560)	(3,708)	(3,857)
At 31 December	919,734	1,078,920	661,461	663,770
Accumulated depreciation				
At 1 January	(196,739)	(190,840)	(95,475)	(92,146)
Currency translation	(818)	1,400	(193)	332
Disposals	5,989	2,516	1,159	427
Depreciation charge	(14,695)	(16,812)	(6,914)	(7,140)
Transfer to:				
Property, plant and equipment (Note 35)	18,018	4,556	3,410	2,264
Assets held for sale	2,579	2,441	1,162	788
At 31 December	(185,666)	(196,739)	(96,851)	(95,475)
Accumulated impairment losses (Note 32)				
At 1 January	(3,941)	(6,456)	(3,269)	(4,717)
Currency translation	12	72	-	38
Disposals	2	914	2	914
Write-back/(impairment charge) to income statements	974	552	507	(111)
Transfer to assets held for sale	235	977	235	607
At 31 December	(2,718)	(3,941)	(2,525)	(3,269)
Net carrying value				
Freehold property	339,302	339,193	191,720	188,021
Leasehold property	392,048	539,047	370,365	377,005
At 31 December	731,350	878,240	562,085	565,026
Market value	2,847,862	2,881,727	1,579,345	1,476,676

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

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37. Goodwill and intangible assets

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Goodwill				
At 1 January	3,175,197	3,237,995	1,867,176	1,867,176
Acquisition of a subsidiary	–	1,009	–	–
Currency translation	(22,093)	(63,807)	–	–
At 31 December	<u>3,153,104</u>	<u>3,175,197</u>	<u>1,867,176</u>	<u>1,867,176</u>
Intangible assets				
At 1 January	642,705	709,399		
Amortisation charged to income statements:				
– Customer relationships ⁽¹⁾	(11,463)	(13,267)		
– Life assurance business ⁽²⁾	(46,636)	(46,636)		
Currency translation	3,268	(6,791)		
At 31 December	<u>587,874</u>	<u>642,705</u>		
Total goodwill and intangible assets	<u>3,740,978</u>	<u>3,817,902</u>	<u>1,867,176</u>	<u>1,867,176</u>
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	3,153,104	3,175,197	1,867,176	1,867,176
Intangible assets, at cost	1,068,083	1,063,485	–	–
Accumulated amortisation for intangible assets	(480,209)	(420,780)	–	–
	<u>3,740,978</u>	<u>3,817,902</u>	<u>1,867,176</u>	<u>1,867,176</u>

⁽¹⁾ Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2013, these have a remaining useful life of 7 years (2012: 8 years).

⁽²⁾ The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2013, the intangible asset has a remaining useful life of 11 years (2012: 12 years).

Impairment tests for goodwill

For impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying value	
		2013 \$'000	2012 \$'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		844,497	844,497
Global Corporate Banking		570,000	570,000
Global Treasury		524,000	524,000
	Value-in-use	<u>1,938,497</u>	<u>1,938,497</u>
Great Eastern Holdings Limited ("GEH")	Appraisal value	427,460	427,460
Bank of Singapore Limited	Value-in-use	549,786	531,113
Lion Global Investors Limited	Value-in-use	29,437	29,437
PT Bank OCBC NISP Tbk	Value-in-use	193,039	233,377
Others	Value-in-use	14,885	15,313
		<u>3,153,104</u>	<u>3,175,197</u>

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37. Goodwill and intangible assets (continued)

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. For 2013, the discount rates used ranged from 10.1% to 11.5% (2012: 10.2% to 10.4%). Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rates ranged from 2.0% to 5.0% (2012: 2.0% to 5.0%). The terminal growth rate for each CGU used does not exceed management's expectation of the long term average growth rate of the respective industry and country in which the CGU operates.

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 7.5% (2012: 8.0%) and 9.0% (2012: 9.5%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 6.0% (2012: 5.12%, 4.0% and 6.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.0% and 7.0% (2012: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

38. Segment information

38.1 Business segments

\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2013						
Total income	2,188	2,810	641	988	(6)	6,621
Operating profit before allowances and amortisation	835	1,940	434	808	(180)	3,837
Amortisation of intangible assets	(11)	–	–	(47)	–	(58)
Allowances and impairment for loans and other assets	(86)	(114)	(6)	(1)	(59)	(266)
Operating profit after allowances and amortisation	738	1,826	428	760	(239)	3,513
Other information:						
Capital expenditure	25	9	3	70	229	336
Depreciation	37	12	2	3	153	207
At 31 December 2013						
Segment assets	72,625	118,020	78,812	61,823	17,620	348,900
Unallocated assets						199
Elimination						(10,651)
Total assets						338,448
Segment liabilities	77,297	101,319	52,351	54,112	33,804	318,883
Unallocated liabilities						2,137
Elimination						(10,651)
Total liabilities						310,369
Other information:						
Gross non-bank loans	62,196	105,455	1,252	49	668	169,620
NPAs (include debt securities)	292	1,002	–	4	6	1,304

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38. Segment information (continued)

38.1 Business segments (continued)

\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2012						
Total income	1,949	2,655	845	1,537	975	7,961
Operating profit before allowances and amortisation	697	1,811	621	1,346	791	5,266
Amortisation of intangible assets	(13)	–	–	(47)	–	(60)
Allowances and impairment for loans and other assets	(95)	(68)	(2)	(#)	(106)	(271)
Operating profit after allowances and amortisation	589	1,743	619	1,299	685	4,935
Other information:						
Capital expenditure	26	4	#	52	221	303
Depreciation	34	10	2	3	135	184
At 31 December 2012						
Segment assets	66,779	92,223	67,871	60,617	19,030	306,520
Unallocated assets						90
Elimination						(10,667)
Total assets						<u>295,943</u>
Segment liabilities	73,837	84,507	48,148	53,226	16,124	275,842
Unallocated liabilities						2,067
Elimination						(10,667)
Total liabilities						<u>267,242</u>
Other information:						
Gross non-bank loans	55,384	86,133	1,495	398	620	144,030
NPAs (include debt securities)	267	887	–	3	15	1,172

⁽¹⁾ # represents amounts less than \$0.5 million.

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

Global Consumer/Private Banking

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

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. Segment information *(continued)*

38.1 Business segments *(continued)*

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 comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

Global 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.

Insurance

The Group's insurance business, including its fund management activities, is carried out by the Bank's subsidiary Great Eastern Holdings Limited, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

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

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:

- (a) income and expenses are attributable to each segment based on the internal management reporting policies;
- (b) in determining the segment results, balance sheet items are internally transfer priced; and
- (c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. Segment information (continued)

38.2 Geographical segments

\$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2013					
Singapore	4,079	2,091	230	210,541	199,797
Malaysia	1,401	916	50	60,773	50,827
Indonesia	503	182	21	10,219	8,358
Greater China	385	208	33	33,022	22,255
Other Asia Pacific	155	87	2	10,138	8,362
Rest of the World	98	83	#	13,755	20,770
	6,621	3,567	336	338,448	310,369
2012					
Singapore	5,472	3,521	212	181,385	169,409
Malaysia	1,307	815	66	58,030	49,047
Indonesia	466	159	15	10,162	8,558
Greater China	487	320	9	28,083	21,473
Other Asia Pacific	150	94	1	10,426	8,520
Rest of the World	79	53	#	7,857	10,235
	7,961	4,962	303	295,943	267,242

⁽¹⁾ # represents amounts less than \$0.5 million.

The Group's operations are in six main geographical areas. With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated total income and total assets. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

39. Financial risk management

39.1 Overview

The objective of the Group's risk management practice is to drive the business through an integrated proactive risk management approach with strong risk analytics, while protecting the Group against losses that could arise from taking risks beyond its risk appetite. The Group's philosophy is that all risks must be properly understood, measured, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy, to enable the Group to maximise its risk-adjusted return on capital.

The Group's risk management objectives, policies and processes are detailed in the Risk Management Section.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.2 Credit risk

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

\$ million	Gross		Average	
	2013	2012	2013	2012
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	167,854	142,376	155,224	136,117
Placements with and loans to banks	39,573	29,811	33,737	32,577
Government treasury bills and securities	20,611	22,298	21,506	21,458
Debt securities	16,006	12,231	14,942	11,393
Amount due from associates	#	#	#	#
Assets pledged	2,110	2,056	2,113	1,879
Derivative receivables	5,194	5,155	4,989	5,622
Other assets, comprise interest receivables and sundry debtors	2,766	2,806	3,002	2,738
	254,114	216,733	235,513	211,784
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	12,197	9,100	10,290	9,178
Credit commitments	76,199	66,294	72,390	65,124
	88,396	75,394	82,680	74,302
Total maximum credit risk exposure	342,510	292,127	318,193	286,086

⁽¹⁾ # represents amounts less than \$0.5 million.

Collateral

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For derivatives, cash and securities;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities including those of Singapore, Malaysia and Hong Kong; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

77% of the loans and bills receivables as at 31 December 2013 (2012: 75%) are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.2 Credit risk (continued)

Total loans and advances – Credit quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are required, under FRS 107, to be categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”. Past due loans refer to loans that are overdue by one day or more. Impaired loans are classified loans with specific allowances made.

\$ million	Bank loans		Non-bank loans	
	2013	2012	2013	2012
Neither past due nor impaired	39,933	30,508	168,297	142,763
Not impaired	–	–	625	487
Impaired	#	–	433	431
Past due loans	#	–	1,058	918
Impaired but not past due	–	–	265	349
Gross loans	39,933	30,508	169,620	144,030
Specific allowances	–	–	(230)	(303)
Portfolio allowances	–	–	(1,511)	(1,351)
Net loans	39,933	30,508	167,879	142,376

⁽¹⁾ # represents amounts less than \$0.5 million.

Loans neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group’s internal credit grading system is as follows:

\$ million	Bank loans		Non-bank loans	
	2013	2012	2013	2012
Grades				
Satisfactory and special mention	39,933	30,508	167,938	142,526
Substandard but not impaired	–	–	359	237
Neither past due nor impaired	39,933	30,508	168,297	142,763

Past due loans

Analysis of past due loans by industry and geography are as follows:

\$ million	Bank loans		Non-bank loans	
	2013	2012	2013	2012
By industry				
Agriculture, mining and quarrying	–	–	19	28
Manufacturing	–	–	221	159
Building and construction	–	–	45	56
General commerce	–	–	159	84
Transport, storage and communication	–	–	53	34
Financial institutions, investment and holding companies	–	–	59	82
Professionals and individuals (include housing)	–	–	458	438
Others	#	–	44	37
	#	–	1,058	918
By geography				
Singapore	–	–	173	128
Malaysia	–	–	591	501
Rest of the World	#	–	294	289
	#	–	1,058	918

⁽¹⁾ # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.2 Credit risk (continued)

Loans past due but not impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's non-bank loans which are past due but not impaired are as follows:

\$ million	2013	2012
Past due		
Less than 30 days	186	144
30 to 90 days	326	303
Over 90 days	113	40
Past due but not impaired	625	487

Impaired loans and allowances

Non-bank loans that are individually determined to be impaired as at the reporting date are as follows:

\$ million	2013	2012
Business segment		
Global Consumer Financial Services	170	176
Global Corporate Banking	506	574
Others	6	15
Individually impaired loans	682	765

Details on non-performing loans are set out in Note 27. The movements of specific and portfolio allowances account for loans are set out in Notes 28 and 29 respectively.

Collateral and other credit enhancements obtained

There were no (2012: Nil) assets obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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39. Financial risk management (continued)

39.2 Credit risk (continued)

Country risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. Cross-border transfer risk exposures of more than 1% of assets were as follows:

\$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure⁽¹⁾					
31 December 2013					
People's Republic of China	25,281	20	3,995	29,296	10.3
Hong Kong SAR	5,651	–	7,805	13,456	4.7
Indonesia	2,142	333	6,785	9,260	3.2
Malaysia	3,479	196	5,124	8,799	3.1
British Virgin Islands	–	–	4,990	4,990	1.8
United Kingdom	3,064	45	1,486	4,595	1.6
United States	2,032	497	1,116	3,645	1.3
Australia	1,900	–	926	2,826	1.0
31 December 2012					
People's Republic of China	11,448	163	2,469	14,080	5.8
Hong Kong SAR	5,535	–	4,632	10,167	4.2
Malaysia	3,127	15	4,698	7,840	3.2
Indonesia	1,436	229	5,279	6,944	2.8
British Virgin Islands	–	–	5,130	5,130	2.1
United Kingdom	3,289	70	1,276	4,635	1.9
United States	963	477	1,343	2,783	1.1
Australia	1,942	–	715	2,657	1.1

⁽¹⁾ Assets (excluding life assurance fund investment assets) of \$285,044 million (2012: \$243,672 million).

39.3 Market risk and asset liability management

Disclosures on the Group's market risk management, and the Value-at-Risk ("VaR") summary of its trading portfolio, are in the Risk Management Section.

The Group's Asset Liability Management framework consists of three components:

- Structural interest rate risk management;
- Structural foreign exchange risk management; and
- Liquidity management.

The objectives, policies and processes of asset liability management are in the Risk Management Section.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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39. Financial risk management (continued)

39.3 Market risk and asset liability management (continued)

Interest rate risk

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

\$ million	Within	1 week to	1 to 3	3 to 12	1 to 3	Over	Non-	Total
	1 week	1 month	months	months	years	3 years	interest sensitive	
2013								
Cash and placements with central banks	8,219	883	795	2,277	–	672	6,495	19,341
Placements with and loans to banks	5,465	7,275	13,603	12,402	262	–	926	39,933
Loans and bills receivable ⁽¹⁾	25,145	38,819	80,881	18,400	3,236	2,059	(661)	167,879
Securities ⁽²⁾	381	3,312	7,634	9,378	7,356	9,364	4,080	41,505
Other assets ⁽³⁾	567	4	8	160	467	45	7,844	9,095
Financial assets	39,777	50,293	102,921	42,617	11,321	12,140	18,684	277,753
Deposits of non-bank customers	35,371	37,599	60,488	31,531	3,728	1,101	26,156	195,974
Deposits and balances of banks	6,278	6,701	5,405	1,040	99	–	2,026	21,549
Trading portfolio liabilities	–	–	25	49	282	521	21	898
Other liabilities ⁽³⁾	15	9	56	75	13	–	9,759	9,927
Debt issued	2,489	3,643	8,300	6,084	2,397	3,772	17	26,702
Financial liabilities	44,153	47,952	74,274	38,779	6,519	5,394	37,979	255,050
On-balance sheet sensitivity gap	(4,376)	2,341	28,647	3,838	4,802	6,746		
Off-balance sheet sensitivity gap	240	666	(1,106)	(1,221)	2,281	(860)		
Net interest sensitivity gap	(4,136)	3,007	27,541	2,617	7,083	5,886		
2012								
Cash and placements with central banks	4,296	3,014	1,869	1,730	–	683	4,805	16,397
Placements with and loans to banks	7,754	4,690	8,117	9,286	50	#	611	30,508
Loans and bills receivable ⁽¹⁾	27,109	29,862	63,623	15,333	3,756	3,113	(420)	142,376
Securities ⁽²⁾	533	2,715	6,031	6,956	7,916	10,537	3,134	37,822
Other assets ⁽³⁾	1	3	17	205	423	45	8,305	8,999
Financial assets	39,693	40,284	79,657	33,510	12,145	14,378	16,435	236,102
Deposits of non-bank customers	41,325	25,185	48,850	22,569	1,199	894	25,117	165,139
Deposits and balances of banks	12,831	6,442	3,826	282	56	–	2,219	25,656
Trading portfolio liabilities	–	–	–	306	150	596	31	1,083
Other liabilities ⁽³⁾	15	7	62	65	12	–	9,324	9,485
Debt issued	832	618	2,970	687	2,674	3,602	41	11,424
Financial liabilities	55,003	32,252	55,708	23,909	4,091	5,092	36,732	212,787
On-balance sheet sensitivity gap	(15,310)	8,032	23,949	9,601	8,054	9,286		
Off-balance sheet sensitivity gap	294	(34)	(2,308)	1,013	1,921	(886)		
Net interest sensitivity gap	(15,016)	7,998	21,641	10,614	9,975	8,400		

(1) Net of portfolio allowances for loans.

(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

(3) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

(4) # represents amounts less than \$0.5 million.

The significant market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes. One way of expressing this sensitivity for all interest rate sensitive positions, whether marked to market or subject to amortised cost accounting, is the impact on their fair values of basis point change in interest rates.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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39. Financial risk management *(continued)*

39.3 Market risk and asset liability management *(continued)*

Interest rate risk *(continued)*

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, net interest income is estimated to increase by \$408 million (2012: \$386 million). The corresponding impact from a 100 bp decrease is an estimated reduction of \$153 million (2012: \$148 million) in net interest income. As a percentage of reported net interest income, the maximum exposure for the three major currencies is estimated to be approximately -3.9% (2012: -3.7%).

The 1% rate shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

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NOTES TO THE FINANCIAL STATEMENTS

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39. Financial risk management (continued)

39.3 Market risk and asset liability management (continued)

Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen, Sterling Pound and Hong Kong Dollar.

\$ million	SGD	USD	MYR	Others	Total
2013					
Cash and placements with central banks	6,197	2,800	4,182	6,162	19,341
Placements with and loans to banks	715	24,048	818	14,352	39,933
Loans and bills receivable	72,933	45,590	20,128	29,228	167,879
Securities ⁽¹⁾	16,131	6,702	3,828	14,844	41,505
Other assets ⁽²⁾	4,587	2,214	841	1,453	9,095
Financial assets	100,563	81,354	29,797	66,039	277,753
Deposits of non-bank customers	92,022	45,846	22,882	35,224	195,974
Deposits and balances of banks	694	12,120	299	8,436	21,549
Trading portfolio liabilities	877	6	–	15	898
Other liabilities ⁽²⁾	4,924	2,398	936	1,669	9,927
Debt issued	1,287	14,027	793	10,595	26,702
Financial liabilities	99,804	74,397	24,910	55,939	255,050
Net financial assets exposure ⁽³⁾	759	6,957	4,887	10,100	
2012					
Cash and placements with central banks	5,176	1,048	4,224	5,949	16,397
Placements with and loans to banks	392	14,891	1,386	13,839	30,508
Loans and bills receivable	69,250	31,555	18,041	23,530	142,376
Securities ⁽¹⁾	17,300	4,990	3,480	12,052	37,822
Other assets ⁽²⁾	5,447	1,910	710	932	8,999
Financial assets	97,565	54,394	27,841	56,302	236,102
Deposits of non-bank customers	82,095	31,455	20,739	30,850	165,139
Deposits and balances of banks	933	12,649	543	11,531	25,656
Trading portfolio liabilities	1,052	9	–	22	1,083
Other liabilities ⁽²⁾	5,145	1,854	875	1,611	9,485
Debt issued	1,168	6,536	1,463	2,257	11,424
Financial liabilities	90,393	52,503	23,620	46,271	212,787
Net financial assets exposure ⁽³⁾	7,172	1,891	4,221	10,031	

⁽¹⁾ Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

⁽²⁾ Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

⁽³⁾ Net exposure without taking into account effect of offsetting derivative exposure.

Structural foreign exchange risk

Structural foreign exchange risks arise primarily from the Group's net investments in overseas branches, subsidiaries and associates, strategic equity investments as well as property assets. The Group uses foreign currency forwards, swaps and borrowings to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

\$ million	2013			2012		
	Structural currency exposure	Hedging financial instruments	Net structural currency exposure	Structural currency exposure	Hedging financial instruments	Net structural currency exposure
US Dollar	2,165	1,796	369	1,911	1,812	99
Malaysian Ringgit	2,057	952	1,105	1,959	1,180	779
Others	4,350	357	3,993	3,974	1,184	2,790
Total	8,572	3,105	5,467	7,844	4,176	3,668

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39. Financial risk management (continued)

39.3 Market risk and asset liability management (continued)

Liquidity risk

The table below analyses the carrying value of financial assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2013							
Cash and placements with central banks	10,132	883	795	2,277	–	5,254	19,341
Placements with and loans to banks	6,164	6,880	12,958	12,942	989	–	39,933
Loans and bills receivable	12,900	13,849	14,241	25,576	27,663	73,650	167,879
Securities ⁽¹⁾	253	2,530	4,877	8,918	9,200	15,727	41,505
Other assets ⁽²⁾	1,745	1,205	1,580	3,274	679	612	9,095
Financial assets	31,194	25,347	34,451	52,987	38,531	95,243	277,753
Deposits of non-bank customers	103,238	30,149	25,735	31,476	3,921	1,455	195,974
Deposits and balances of banks	8,508	6,497	5,405	1,040	99	–	21,549
Trading portfolio liabilities	–	–	46	49	282	521	898
Other liabilities ⁽²⁾	2,415	1,539	1,969	3,115	316	573	9,927
Debt issued	2,491	3,659	6,605	6,649	3,526	3,772	26,702
Financial liabilities	116,652	41,844	39,760	42,329	8,144	6,321	255,050
Net liquidity gap – financial assets less financial liabilities	(85,458)	(16,497)	(5,309)	10,658	30,387	88,922	
2012							
Cash and placements with central banks	5,081	3,014	1,869	1,730	–	4,703	16,397
Placements with and loans to banks	6,214	5,301	8,156	10,518	319	–	30,508
Loans and bills receivable	10,428	12,533	13,384	16,008	25,425	64,598	142,376
Securities ⁽¹⁾	364	1,811	3,927	6,706	9,187	15,827	37,822
Other assets ⁽²⁾	1,599	1,189	1,764	3,449	659	339	8,999
Financial assets	23,686	23,848	29,100	38,411	35,590	85,467	236,102
Deposits of non-bank customers	92,637	25,233	21,575	23,174	1,386	1,134	165,139
Deposits and balances of banks	14,612	6,708	3,973	307	56	–	25,656
Trading portfolio liabilities	–	–	31	306	150	596	1,083
Other liabilities ⁽²⁾	2,291	1,559	2,026	2,792	442	375	9,485
Debt issued	833	645	1,478	717	4,073	3,678	11,424
Financial liabilities	110,373	34,145	29,083	27,296	6,107	5,783	212,787
Net liquidity gap – financial assets less financial liabilities	(86,687)	(10,297)	17	11,115	29,483	79,684	

⁽¹⁾ Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

⁽²⁾ Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

⁽³⁾ Excluded from the tables are non-financial liabilities comprising of current and non-current liabilities. Current liabilities include current tax liabilities of \$1,025 million (2012: \$897 million). Non-current liabilities include deferred tax liabilities of \$1,112 million (2012: \$1,170 million).

⁽⁴⁾ Excluded from the tables are non-financial assets comprising of non-current assets. Non-current assets include deferred tax assets of \$107 million (2012: \$43 million), property, plant and equipment of \$1,898 million (2012: \$1,703 million), investment property of \$731 million (2012: \$878 million), and goodwill and intangible assets of \$3,741 million (2012: \$3,818 million).

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39. Financial risk management (continued)

39.3 Market risk and asset liability management (continued)

Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities. Information on cash outflow of gross loan commitments is set out in Note 44. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 17) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2013							
Deposits of non-bank customers ⁽¹⁾	103,253	30,225	25,819	31,840	4,063	1,605	196,805
Deposits and balances of banks ⁽¹⁾	8,511	6,505	5,415	1,041	99	–	21,571
Trading portfolio liabilities	–	–	46	49	282	521	898
Other liabilities ⁽²⁾	1,875	354	525	835	130	62	3,781
Debt issued	2,492	3,679	6,667	6,826	3,846	4,298	27,808
Net settled derivatives							
Trading	532	102	284	621	768	1,244	3,551
Hedging	#	3	10	13	22	(2)	46
Gross settled derivatives							
Trading – Outflow	21,485	33,728	44,761	55,275	7,445	5,089	167,783
Trading – Inflow	(21,482)	(33,646)	(44,780)	(55,185)	(7,417)	(5,278)	(167,788)
Hedging – Outflow	159	1,225	867	8	684	164	3,107
Hedging – Inflow	(158)	(1,217)	(862)	(19)	(578)	(164)	(2,998)
	116,667	40,958	38,752	41,304	9,344	7,539	254,564
2012							
Deposits of non-bank customers ⁽¹⁾	92,661	25,354	21,732	23,535	1,478	1,262	166,022
Deposits and balances of banks ⁽¹⁾	14,619	6,721	3,979	311	56	–	25,686
Trading portfolio liabilities	–	–	31	306	150	596	1,083
Other liabilities ⁽²⁾	1,875	628	261	442	423	99	3,728
Debt issued	833	661	1,548	914	4,421	4,187	12,564
Net settled derivatives							
Trading	376	119	283	778	1,485	740	3,781
Hedging	3	6	3	17	39	25	93
Gross settled derivatives							
Trading – Outflow	23,375	38,597	48,532	43,091	5,809	4,310	163,714
Trading – Inflow	(23,395)	(38,736)	(48,568)	(43,218)	(5,750)	(4,333)	(164,000)
Hedging – Outflow	588	1,352	578	11	852	940	4,321
Hedging – Inflow	(587)	(1,354)	(582)	(31)	(891)	(1,032)	(4,477)
	110,348	33,348	27,797	26,156	8,072	6,794	212,515

⁽¹⁾ Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.

⁽²⁾ Other liabilities include amount due to associates and joint ventures.

⁽³⁾ # represents amounts less than \$0.5 million.

39.4 Other risk areas

Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management *(continued)*

39.5 Insurance-related risk management

This note sets out the risk management information of GEH Group.

Governance framework

Managing risk is an integral part of GEH Group's core business, and it shall always operate within the risk appetite set by the GEH Board, and ensure reward commensurate for any risk taken.

GEH Group's Risk Management department spearheads the development and implementation of the Enterprise Risk Management Framework for GEH Group.

The Risk Management Committee ("RMC") is constituted to provide oversight on the risk management initiatives. At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives, namely: Group Management Team ("GMT"), Group Asset-Liability Committee ("Group ALC") and Group Information Technology Steering Committee ("Group ITSC").

GMT is responsible for providing leadership, direction and oversight with regards to all matters of GEH Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board") of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group has had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore ("MAS") and Bank Negara, Malaysia ("BNM") respectively.

GEH Group's approach to capital management requires sufficient capital to be held to cover statutory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

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39. Financial risk management *(continued)*

39.5 Insurance-related risk management *(continued)*

Capital management *(continued)*

Regulatory capital *(continued)*

The primary source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2013 amounted to \$9.2 billion (2012: \$8.6 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2013 amounted to \$0.7 billion (2012: \$0.7 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

Financial risk management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance risk

The principal activities of GEH Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness and personal accident), property and casualty.

GEH Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance risk of life insurance contracts

Insurance risks arise when GEH Group underwrites insurance contracts. A mis-estimation of the assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls when actual experience is different from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by GEH Group, type of risk insured or by industry.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of \$700,000 in Singapore and MYR825,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of \$400,000 in Singapore and MYR595,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure GEH Group's risk. Risk to any one reinsurer is limited by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of GEH Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

Table 39.5(A): Concentration of life insurance risk, net of reinsurance

Insurance liabilities (\$ million)	2013	2012
(a) By class of business		
Whole life	25,638	23,527
Endowment	14,760	14,900
Term	391	383
Accident and health	1,187	1,088
Annuity	573	648
Others	1,025	938
Total	43,574	41,484
(b) By country		
Singapore	26,128	25,779
Malaysia	17,139	15,400
Others	307	305
Total	43,574	41,484

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis produced below are based on parameters set out as follows:

- | | |
|--|----------------------------|
| (a) Scenario 1 – Mortality and Major Illness | + 25% for all future years |
| (b) Scenario 2 – Mortality and Major Illness | – 25% for all future years |
| (c) Scenario 3 – Health and Disability | + 25% for all future years |
| (d) Scenario 4 – Health and Disability | – 25% for all future years |
| (e) Scenario 5 – Lapse and Surrender Rates | + 25% for all future years |
| (f) Scenario 6 – Lapse and Surrender Rates | – 25% for all future years |
| (g) Scenario 7 – Expenses | + 30% for all future years |

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

\$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2013							
Gross impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)
2012							
Gross impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)

Table 39.5(B2): Profit/(loss) after tax and shareholders' equity sensitivity for the Malaysia segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

\$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2013							
Gross impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)
2012							
Gross impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Insurance risk of non-life insurance contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Insurance risk of non-life insurance contracts (continued)

Table 39.5(C1): Concentration of non-life insurance risk

Non-life insurance contracts \$ million	2013			2012		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
(a) By class of business						
Fire	23	(14)	9	21	(13)	8
Motor	36	(1)	35	39	(3)	36
Marine and aviation	1	(1)	#	1	(#)	1
Workmen's compensation	9	(3)	6	8	(3)	5
Personal accident and health	22	(2)	20	23	(2)	21
Miscellaneous	31	(21)	10	28	(18)	10
Total	122	(42)	80	120	(39)	81
(b) By country						
Singapore	59	(23)	36	56	(20)	36
Malaysia	63	(19)	44	64	(19)	45
Total	122	(42)	80	120	(39)	81

Non-life insurance contracts \$ million	2013			2012		
	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
(a) By class of business						
Fire	34	(27)	7	23	(17)	6
Motor	85	(10)	75	87	(15)	72
Marine and aviation	3	(1)	2	5	(3)	2
Workmen's compensation	21	(7)	14	14	(5)	9
Personal accident and health	13	(2)	11	12	(2)	10
Miscellaneous	52	(32)	20	38	(21)	17
Total	208	(79)	129	179	(63)	116
(b) By country						
Singapore	73	(29)	44	62	(29)	33
Malaysia	135	(50)	85	117	(34)	83
Total	208	(79)	129	179	(63)	116

(1) # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(C2): Cumulative claims estimates and cumulative payments to-date

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2013

\$ million	2006	2007	2008	2009	2010	2011	2012	2013	Total
(a) Estimate of cumulative claims									
Accident Year	48	60	56	73	75	124	115	154	
One year later	50	63	57	79	94	102	109	–	
Two years later	49	58	57	104	91	106	–	–	
Three years later	48	58	81	100	87	–	–	–	
Four years later	47	84	79	97	–	–	–	–	
Five years later	86	83	77	–	–	–	–	–	
Six years later	84	82	–	–	–	–	–	–	
Seven years later	84	–	–	–	–	–	–	–	
Current estimate of cumulative claims	84	82	77	97	87	106	109	154	
(b) Cumulative payments									
Accident Year	19	22	23	31	30	39	36	43	
One year later	37	43	44	56	65	72	71	–	
Two years later	41	48	49	83	74	83	–	–	
Three years later	43	50	71	87	77	–	–	–	
Four years later	43	75	73	90	–	–	–	–	
Five years later	81	78	73	–	–	–	–	–	
Six years later	81	79	–	–	–	–	–	–	
Seven years later	82	–	–	–	–	–	–	–	
Cumulative payments	82	79	73	90	77	83	71	43	
(c) Non-life gross claim liabilities	2	3	4	7	10	23	38	111	198
Reserve for prior years									6
Unallocated surplus									4
General Insurance Fund Contract Liabilities, gross									208

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities for 2013

\$ million	2006	2007	2008	2009	2010	2011	2012	2013	Total
(a) Estimate of cumulative claims									
Accident Year	28	31	36	42	51	81	85	104	
One year later	28	32	36	46	66	65	77	–	
Two years later	27	31	36	66	64	68	–	–	
Three years later	27	31	55	64	63	–	–	–	
Four years later	27	54	52	62	–	–	–	–	
Five years later	59	52	51	–	–	–	–	–	
Six years later	57	50	–	–	–	–	–	–	
Seven years later	56	–	–	–	–	–	–	–	
Current estimate of cumulative claims	56	50	51	62	63	68	77	104	
(b) Cumulative payments									
Accident Year	12	13	16	21	24	28	30	34	
One year later	21	24	29	35	49	49	55	–	
Two years later	23	27	31	53	54	55	–	–	
Three years later	24	28	47	56	56	–	–	–	
Four years later	25	48	48	57	–	–	–	–	
Five years later	55	49	48	–	–	–	–	–	
Six years later	55	49	–	–	–	–	–	–	
Seven years later	55	–	–	–	–	–	–	–	
Cumulative payments	55	49	48	57	56	55	55	34	
(c) Non-life net claim liabilities	1	1	3	5	7	13	22	70	122
Reserve for prior years									4
Unallocated surplus									4
General Insurance Fund Contract Liabilities, net									130

Key assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

\$ million	Change in assumptions	Impact on			
		Gross liabilities	Net liabilities	Profit before tax	Equity
2013					
Provision for adverse deviation margin	+20%	2	2	(2)	(1)
Loss ratio	+20%	45	32	(32)	(25)
Claims handling expenses	+20%	#	3	(3)	(2)
2012					
Provision for adverse deviation margin	+20%	2	1	(1)	(1)
Loss ratio	+20%	39	30	(30)	(23)
Claims handling expenses	+20%	1	2	(2)	(2)

⁽¹⁾ # represents amounts less than \$0.5 million.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year. However, the loss ratio methodology has been refined to better reflect the nature of the non-life insurance business. Comparative figures have been revised using the new methodology.

Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

GEH Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. As for the funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

GEH Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with GEH Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity prices; as well as other risks like credit and liquidity risks are described below.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

- (a) **Interest rate risk (including asset liability mismatch).** GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, GEH Group commenced an exercise to achieve portfolio matching of the assets and liabilities of Great Eastern Life Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of the SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching programme will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

- (b) **Foreign currency risk.** Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposures ranging from 15% to 35% are applied to investments in fixed income portfolios at fund level. Currency risk of investments in foreign equities is generally not hedged.

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The following table shows the foreign exchange position of GEH Group's financial assets and liabilities by major currencies.

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

\$ million	SGD	MYR	USD	Others	Total
2013					
Available-for-sale securities					
Equity securities	2,170	4,466	844	3,547	11,027
Debt securities	9,682	12,622	5,750	189	28,243
Other investments	542	139	1,610	284	2,575
Securities at fair value through profit or loss					
Equity securities	101	1,320	200	459	2,080
Debt securities	13	294	261	175	743
Other investments	1,316	27	191	180	1,714
Derivative assets and financial instruments with embedded derivatives	777	1,012	89	89	1,967
Loans	643	1,205	15	#	1,863
Insurance receivables	925	1,655	2	22	2,604
Other debtors and interfund balances	1,225	656	4	23	1,908
Cash and cash equivalents	2,503	735	341	148	3,727
Financial assets	19,897	24,131	9,307	5,116	58,451
Other creditors and interfund balances	1,512	784	8	26	2,330
Insurance payables	792	2,279	2	15	3,088
Derivative payables	59	–	120	9	188
Provision for agents' retirement benefits	–	259	–	–	259
Debt issued	399	–	–	–	399
General insurance fund contract liabilities	73	135	–	–	208
Life assurance fund contract liabilities	25,612	17,139	550	273	43,574
Financial liabilities	28,447	20,596	680	323	50,046
2012					
Available-for-sale securities					
Equity securities	1,711	3,968	870	2,997	9,546
Debt securities ⁽¹⁾	10,433	13,430	5,231	199	29,293
Other investments	435	168	717	236	1,556
Securities at fair value through profit or loss					
Equity securities	250	839	148	914	2,151
Debt securities	27	338	277	182	824
Other investments	609	71	162	197	1,039
Derivative assets and financial instruments with embedded derivatives	1,318	784	116	168	2,386
Loans ⁽¹⁾	646	959	–	–	1,605
Insurance receivables	941	1,619	3	19	2,582
Other debtors and interfund balances	1,366	512	4	21	1,903
Cash and cash equivalents	2,812	809	464	128	4,213
Financial assets	20,548	23,497	7,992	5,061	57,098
Other creditors and interfund balances	1,759	664	5	34	2,462
Insurance payables	842	1,935	2	12	2,791
Derivative payables	25	–	13	4	42
Provision for agents' retirement benefits	–	245	–	–	245
Debt issued	399	–	–	–	399
General insurance fund contract liabilities	62	117	–	–	179
Life assurance fund contract liabilities	25,415	15,400	396	273	41,484
Financial liabilities	28,502	18,361	416	323	47,602

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

⁽²⁾ # represents amounts less than \$0.5 million.

GEH Group has no significant concentration of foreign currency risk.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

- (c) **Equity price risk.** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.
- (d) **Credit spread risk.** Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.
- (e) **Alternative investment risk.** GEH Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and GEH Group ALC.
- (f) **Commodity risk.** GEH Group does not have a direct or significant exposure to commodity risk.
- (g) **Cash flow and liquidity risk.** Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although these have been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the expected recovery or settlement of financial assets and maturity profile of GEH Group's financial liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

\$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
2013					
Available-for-sale securities					
Equity securities	–	–	–	11,027	11,027
Debt securities	2,180	8,377	29,376	–	39,933
Other investments	–	–	–	2,575	2,575
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,080	2,080
Debt securities	139	304	524	–	967
Other investments	–	–	–	1,714	1,714
Financial instruments with embedded derivatives	157	916	1,172	#	2,245
Loans	407	1,066	713	–	2,186
Insurance receivables	337	5	–	2,262	2,604
Other debtors and interfund balances	1,840	30	11	27	1,908
Cash and cash equivalents	3,727	–	–	–	3,727
Financial assets	8,787	10,698	31,796	19,685	70,966
Other creditors and interfund balances	2,084	183	63	–	2,330
Insurance payables	2,719	353	2	14	3,088
Provision for agents' retirement benefits	70	50	139	–	259
Debt issued	18	74	446	–	538
General insurance fund contract liabilities	192	(5)	(#)	21	208
Life assurance fund contract liabilities	6,948	4,580	32,046	–	43,574
Financial liabilities	12,031	5,235	32,696	35	49,997
2012					
Available-for-sale securities					
Equity securities	–	–	–	9,546	9,546
Debt securities ⁽¹⁾	2,671	9,232	26,617	–	38,520
Other investments	–	–	–	1,556	1,556
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,151	2,151
Debt securities	128	239	755	–	1,122
Other investments	–	–	–	1,039	1,039
Financial instruments with embedded derivatives	434	1,282	592	12	2,320
Loans ⁽¹⁾	186	1,192	520	–	1,898
Insurance receivables	264	1	–	2,317	2,582
Other debtors and interfund balances	1,794	27	38	44	1,903
Cash and cash equivalents	4,213	–	–	–	4,213
Financial assets	9,690	11,973	28,522	16,665	66,850
Other creditors and interfund balances	2,251	175	36	–	2,462
Insurance payables	2,365	408	2	16	2,791
Provision for agents' retirement benefits	64	47	134	–	245
Debt issued	18	74	464	–	556
General insurance fund contract liabilities	159	4	–	16	179
Life assurance fund contract liabilities	5,674	5,722	30,088	–	41,484
Financial liabilities	10,531	6,430	30,724	32	47,717

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

⁽²⁾ # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the current/non-current classification of assets and liabilities:

\$ million	Current*	Non-current	Unit-linked	Total
2013				
Cash and cash equivalents	3,458	–	269	3,727
Other debtors and interfund balances	1,800	33	75	1,908
Insurance receivables	350	2,254	–	2,604
Loans	306	1,557	–	1,863
Investments, including derivative instruments	7,046	36,749	4,554	48,349
Associates and joint ventures	–	153	–	153
Goodwill	–	34	–	34
Property, plant and equipment	–	712	–	712
Investment properties	–	1,561	–	1,561
Assets	12,960	43,053	4,898	60,911
Insurance payables	2,698	370	20	3,088
Other creditors and interfund balances	1,961	193	176	2,330
Unexpired risk reserve	122	–	–	122
Derivative payables	64	119	5	188
Income tax	586	–	14	600
Provision for agents' retirement benefits	70	189	–	259
Deferred tax	–	992	19	1,011
Debt issued	–	399	–	399
General insurance fund	192	17	–	209
Life assurance fund	2,161	40,626	4,790	47,577
Liabilities	7,854	42,905	5,024	55,783
2012				
Cash and cash equivalents	3,767	–	446	4,213
Other debtors and interfund balances	1,222	610	71	1,903
Insurance receivables	313	2,269	–	2,582
Loans ⁽²⁾	141	1,464	–	1,605
Investments, including derivative instruments ⁽²⁾	7,060	35,615	4,120	46,795
Assets held for sale	3	–	–	3
Associates and joint ventures	–	323	–	323
Goodwill	–	34	–	34
Property, plant and equipment	–	711	–	711
Investment properties	–	1,532	–	1,532
Assets	12,506	42,558	4,637	59,701
Insurance payables	2,363	410	18	2,791
Other creditors and interfund balances	2,065	236	161	2,462
Unexpired risk reserve	120	–	–	120
Derivative payables	4	34	4	42
Income tax	480	–	8	488
Provision for agents' retirement benefits	64	181	–	245
Deferred tax	–	1,057	13	1,070
Debt issued	–	399	–	399
General insurance fund	159	27	–	186
Life assurance fund	1,168	41,375	4,515	47,058
Liabilities	6,423	43,719	4,719	54,861

⁽¹⁾ * represents expected recovery or settlement within 12 months from the balance sheet date.

⁽²⁾ Comparatives have been restated to conform to current year's presentation.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. GEH Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investment in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH Group ALC. GEH Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

\$ million	2013		2012	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Type of collateral				
Policy loans – Cash value of policies	2,249	4,453	2,268	4,444
Secured loans				
Properties	1,228	2,911	1,081	2,625
Others ⁽¹⁾	635	25	523	1
	4,112	7,389	3,872	7,070

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

As at 31 December 2013 and 31 December 2012, there were no investments lent and collateral received under securities lending arrangements. As at the balance sheet date, no investments (2012: nil) were placed as collateral for currency hedging purposes. Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

The tables below show the maximum exposure to credit risk for the components of the balance sheet of GEH Group. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The table also provides information regarding the credit risk exposure of GEH Group by classifying assets according to GEH Group's credit ratings of counterparties.

\$ million	Neither past due nor impaired			Unit-linked/not subject to credit risk	Past due *	Total
	Investment grade @ (AAA-BBB)	Non-investment grade @ (BB-C)	Non-rated			
2013						
Available-for-sale securities						
Equity securities	–	–	–	11,027	–	11,027
Debt securities	24,748	199	3,296	–	–	28,243
Other investments	–	–	–	2,575	–	2,575
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,080	–	2,080
Debt securities	–	–	3	740	–	743
Other investments	–	–	–	1,714	–	1,714
Derivative assets and financial instruments with embedded derivatives	1,215	–	732	20	–	1,967
Loans	630	–	1,233	–	–	1,863
Insurance receivables	#	–	2,584	–	20	2,604
Other debtors and interfund balances	–	–	1,832	75	1	1,908
Cash and cash equivalents	3,299	–	159	269	–	3,727
Financial assets	29,892	199	9,839	18,500	21	58,451
2012						
Available-for-sale securities						
Equity securities	–	–	–	9,546	–	9,546
Debt securities ⁽³⁾	25,637	192	3,464	–	–	29,293
Other investments	–	–	–	1,556	–	1,556
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,151	–	2,151
Debt securities	–	–	2	822	–	824
Other investments	–	–	–	1,039	–	1,039
Derivative assets and financial instruments with embedded derivatives	1,174	2	1,100	110	–	2,386
Loans ⁽³⁾	521	–	1,084	–	–	1,605
Insurance receivables	1	–	2,547	–	34	2,582
Other debtors and interfund balances	–	–	1,831	71	1	1,903
Cash and cash equivalents	3,585	–	182	446	–	4,213
Financial assets	30,918	194	10,210	15,741	35	57,098

⁽¹⁾ @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

⁽²⁾ * An ageing analysis for financial assets past due is provided below.

⁽³⁾ Comparatives have been restated to conform to current year's presentation.

⁽⁴⁾ # represents amounts less than \$0.5 million.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

\$ million	Past due but not impaired				Past due and impaired [@]	Total
	Less than 6 months	6 to 12 months	Over 12 months	Sub-total		
2013						
Insurance receivables	14	5	1	20	13	33
Other debtors and interfund balances	1	–	#	1	–	1
Total	15	5	1	21	13	34
2012						
Insurance receivables	27	6	1	34	8	42
Other debtors and interfund balances	1	–	#	1	#	1
Total	28	6	1	35	8	43

⁽¹⁾ @ for assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than 90 days.

These receivables are not secured by any collateral or credit enhancements.

⁽²⁾ # represents amounts less than \$0.5 million.

(i) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group’s exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2013

39. Financial risk management (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear.

The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis

\$ million	Impact on profit after tax		Impact on equity	
	2013	2012	2013	2012
Change in variables:				
(a) Interest rate				
+100 basis points	(86.6)	(117.3)	(160.7)	(214.2)
-100 basis points	35.4	49.0	118.5	157.8
(b) LTRFDR				
+10 basis points	12.9	16.9	12.9	16.9
-10 basis points	(13.5)	(17.5)	(13.5)	(17.5)
(c) Foreign currency				
Market value of assets in foreign currency +5%	13.7	13.3	78.5	51.2
Market value of assets in foreign currency -5%	(13.7)	(13.3)	(78.5)	(51.2)
(d) Equity				
Market indices +20%				
STI	13.8	14.6	54.9	34.9
KLCI	0.8	0.4	23.9	16.9
Market indices -20%				
STI	(13.8)	(14.6)	(54.9)	(34.9)
KLCI	(0.8)	(0.4)	(23.9)	(16.9)
(e) Credit				
Spread +100 basis points	(197.1)	(204.3)	(241.7)	(249.2)
Spread -100 basis points	230.3	241.0	278.6	290.0
(f) Alternative investments ⁽¹⁾				
Market value of all alternative investments +10%	14.6	15.9	35.5	22.5
Market value of all alternative investments -10%	(14.6)	(15.9)	(35.5)	(22.5)

⁽¹⁾ Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables is enhanced from previous year to more accurately estimate the change in asset value due to changes in interest rate and credit spread. Comparative figures have been revised using the new computation method.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

40. Financial assets and financial liabilities classification

\$ million	GROUP					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	
2013						
Cash and placements with central banks	–	–	19,341	–	–	19,341
Singapore government treasury bills and securities	1,406	540	–	9,773	–	11,719
Other government treasury bills and securities	1,222	–	–	7,670	–	8,892
Placements with and loans to banks	509	–	31,698	7,366	–	39,573
Debt and equity securities	3,490	–	309	15,803	–	19,602
Loans and bills receivable	–	–	167,854	–	–	167,854
Assets pledged	271	–	25	1,814	–	2,110
Other assets ⁽¹⁾	5,194	–	3,773	–	127	9,094
Financial assets	12,092	540	223,000	42,426	127	278,185
Non-financial assets						6,859
						285,044
LAF financial assets ⁽²⁾	1,885	4,536	7,427	37,913	–	51,761
LAF non-financial assets ⁽²⁾						1,643
Total assets						338,448
Deposits of non-bank customers	–	–	195,974	–	–	195,974
Deposits and balances of banks	–	–	21,549	–	–	21,549
Trading portfolio liabilities	898	–	–	–	–	898
Other liabilities ⁽¹⁾	5,509	–	4,047	–	371	9,927
Debt issued	–	442	26,260	–	–	26,702
Financial liabilities	6,407	442	247,830	–	371	255,050
Non-financial liabilities						2,137
						257,187
LAF financial liabilities ⁽²⁾	184	–	5,388	–	43,574	49,146
LAF non-financial liabilities ⁽²⁾						4,036
Total liabilities						310,369

⁽¹⁾ Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

⁽²⁾ “LAF” refers to Life Assurance Fund.

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40. Financial assets and financial liabilities classification (continued)

\$ million	GROUP					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	
2012						
Cash and placements with central banks	–	–	16,397	–	–	16,397
Singapore government treasury bills and securities	1,314	380	–	11,447	–	13,141
Other government treasury bills and securities	1,786	–	–	7,371	–	9,157
Placements with and loans to banks	208	–	21,005	8,598	–	29,811
Debt and equity securities	2,030	–	555	12,347	–	14,932
Loans and bills receivable	–	–	142,376	–	–	142,376
Assets pledged	155	–	–	1,901	–	2,056
Other assets ⁽¹⁾	5,155	–	3,733	–	111	8,999
Financial assets	10,648	380	184,066	41,664	111	236,869
Non-financial assets						6,803
						243,672
LAF financial assets ⁽²⁾	2,134	4,014	6,828	37,515	–	50,491
LAF non-financial assets ⁽²⁾						1,780
Total assets						295,943
Deposits of non-bank customers	–	–	165,139	–	–	165,139
Deposits and balances of banks	–	–	25,656	–	–	25,656
Trading portfolio liabilities	1,083	–	–	–	–	1,083
Other liabilities ⁽¹⁾	5,001	–	4,161	–	323	9,485
Debt issued	–	211	11,213	–	–	11,424
Financial liabilities	6,084	211	206,169	–	323	212,787
Non-financial liabilities						2,068
						214,855
LAF financial liabilities ⁽²⁾	–	–	5,156	–	41,484	46,640
LAF non-financial liabilities ⁽²⁾						5,747
Total liabilities						267,242

⁽¹⁾ Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

⁽²⁾ “LAF” refers to Life Assurance Fund.

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40. Financial assets and financial liabilities classification (continued)

\$ million	BANK				Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	
2013					
Cash and placements with central banks	–	–	12,713	–	12,713
Singapore government treasury bills and securities	1,406	–	–	9,365	10,771
Other government treasury bills and securities	1,052	–	–	3,491	4,543
Placements with and loans to banks	509	–	23,630	6,682	30,821
Debt and equity securities	3,408	–	229	9,254	12,891
Loans and bills receivable	–	–	125,080	–	125,080
Placements with and advances to subsidiaries	–	–	9,378	–	9,378
Assets pledged	148	–	–	1,772	1,920
Other assets ⁽¹⁾	4,195	–	1,311	–	5,506
Financial assets	10,718	–	172,341	30,564	213,623
Non-financial assets					10,078
Total assets					223,701
Deposits of non-bank customers	–	–	142,855	–	142,855
Deposits and balances of banks	–	–	20,260	–	20,260
Deposits and balances of subsidiaries	–	–	6,957	–	6,957
Trading portfolio liabilities	898	–	–	–	898
Other liabilities ⁽¹⁾	4,495	–	1,570	–	6,065
Debt issued	–	442	26,472	–	26,914
Financial liabilities	5,393	442	198,114	–	203,949
Non-financial liabilities					427
Total liabilities					204,376
2012					
Cash and placements with central banks	–	–	9,382	–	9,382
Singapore government treasury bills and securities	1,314	–	–	10,647	11,961
Other government treasury bills and securities	1,740	–	–	4,358	6,098
Placements with and loans to banks	208	–	13,065	7,745	21,018
Debt and equity securities	1,707	–	418	7,223	9,348
Loans and bills receivable	–	–	104,157	–	104,157
Placements with and advances to subsidiaries	–	–	5,811	–	5,811
Assets pledged	73	–	–	1,873	1,946
Other assets ⁽¹⁾	4,693	–	1,147	–	5,840
Financial assets	9,735	–	133,980	31,846	175,561
Non-financial assets					8,891
Total assets					184,452
Deposits of non-bank customers	–	–	115,325	–	115,325
Deposits and balances of banks	–	–	21,539	–	21,539
Deposits and balances of subsidiaries	–	–	8,258	–	8,258
Trading portfolio liabilities	1,083	–	–	–	1,083
Other liabilities ⁽¹⁾	4,620	–	1,691	–	6,311
Debt issued	–	211	11,708	–	11,919
Financial liabilities	5,703	211	158,521	–	164,435
Non-financial liabilities					432
Total liabilities					164,867

⁽¹⁾ Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

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41. Fair values of financial instruments

41.1 Valuation control framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management (“MRM”) function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation policies are reviewed annually by the MRM function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions’ compliance with the policy.

41.2 Fair values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm’s length transaction. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group’s subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

41.3 Fair value hierarchy

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

41. Fair values of financial instruments (continued)

41.3 Fair value hierarchy (continued)

The following table summarises the Group's assets and liabilities recorded at fair value by level of the fair value hierarchies:

\$ million	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks ⁽¹⁾	–	8,668	–	8,668	–	10,270	–	10,270
Debt and equity securities ⁽¹⁾	14,101	6,187	48	20,336	9,976	4,540	315	14,831
Derivative receivables	158	4,980	56	5,194	24	5,033	98	5,155
Government treasury bills and securities ⁽¹⁾	19,765	1,096	–	20,861	21,586	850	–	22,436
Life Assurance Fund investment assets	29,824	14,510	–	44,334	28,337	15,326	–	43,663
Total	63,848	35,441	104	99,393	59,923	36,019	413	96,355
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	1,561	–	1,561	–	1,532	–	1,532
Total	–	1,561	–	1,561	–	1,532	–	1,532
Financial liabilities measured at fair value								
Derivative payables	152	5,311	46	5,509	28	4,905	68	5,001
Trading portfolio liabilities	898	–	–	898	1,083	–	–	1,083
Other financial liabilities	–	442	–	442	–	211	–	211
Life Assurance Fund financial liabilities	–	184	–	184	–	–	–	–
Total	1,050	5,937	46	7,033	1,111	5,116	68	6,295
BANK								
Financial assets measured at fair value								
Placements with and loans to banks ⁽¹⁾	–	7,984	–	7,984	–	9,417	–	9,417
Debt and equity securities ⁽¹⁾	9,179	4,336	24	13,539	6,170	3,061	43	9,274
Derivative receivables	3	4,158	34	4,195	3	4,644	46	4,693
Government treasury bills and securities ⁽¹⁾	14,618	946	–	15,564	17,348	849	–	18,197
Total	23,800	17,424	58	41,282	23,521	17,971	89	41,581
Financial liabilities measured at fair value								
Derivative payables	4	4,462	29	4,495	6	4,580	34	4,620
Trading portfolio liabilities	898	–	–	898	1,083	–	–	1,083
Other financial liabilities	–	442	–	442	–	211	–	211
Total	902	4,904	29	5,835	1,089	4,791	34	5,914

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

41. Fair values of financial instruments (continued)

41.3 Fair value hierarchy (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP \$ million	Fair value at 31 December	Classification	Valuation technique	Unobservable input
	2013			
Assets				
Debt securities	34	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	14	Available-for-sale	Net asset value	Net asset value
Derivative receivables	56	Held for trading	Option pricing model	Standard deviation
Total	104			
Liabilities				
Derivative payables	46	Held for trading	Option pricing model	Standard deviation
Total	46			

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Movements in the Group's Level 3 financial assets and liabilities

GROUP \$ million	2013				2012			
	Available- for-sale assets	Assets held for trading	Derivative receivables	Total	Available- for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	201	114	98	413	242	65	76	383
Purchases	3	–	14	17	45	–	27	72
Settlements/disposals	(107)	(114)	(26)	(247)	(45)	(#)	(7)	(52)
Transfers (out of)/in to Level 3	(44) ⁽¹⁾	–	(5) ⁽¹⁾	(49)	–	# ⁽²⁾	–	#
Gains/(losses) recognised in								
- profit or loss	#	#	(24)	(24)	(12)	49	3	40
- other comprehensive income	(5)	#	(1)	(6)	(29)	(#)	(1)	(30)
At 31 December	48	#	56	104	201	114	98	413
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	#	#	#	#	(17)	49	19	51

Gains/(losses) included in profit or loss are presented in the income statement as follows:

GROUP \$ million	2013				2012			
	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	#	(23)	(1)	(24)	1	50	(11)	40
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	#	#	#	–	68	(17)	51

⁽¹⁾ Relates to transfers to Level 2 due to availability of market observable inputs.

⁽²⁾ Relates to transfers to Level 3 due to unavailability of market observable inputs.

⁽³⁾ # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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41. Fair values of financial instruments (continued)

41.3 Fair value hierarchy (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

BANK	2013				2012			
	Available- for-sale assets	Assets held for trading	Derivative receivables	Total	Available- for-sale assets	Assets held for trading	Derivative receivables	Total
\$ million								
Assets measured at fair value								
At 1 January	43	–	46	89	74	#	42	116
Purchases	3	–	14	17	4	–	9	13
Settlements/disposals	(21)	–	–	(21)	(31)	(#)	–	(31)
Transfers out of Level 3	–	–	(5) ⁽¹⁾	(5)	–	–	–	–
Gains/(losses) recognised in								
- profit or loss	1	–	(21)	(20)	5	(#)	(5)	(#)
- other comprehensive income	(2)	–	–	(2)	(9)	(#)	–	(9)
At 31 December	24	–	34	58	43	–	46	89
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	#	–	(1)	(1)	#	(#)	9	9
Gains/(losses) included in profit or loss are presented in the income statement as follows:								
	2013				2012			
\$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	#	(21)	1	(20)	#	(7)	7	(#)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	(1)	#	(1)	–	9	#	9

⁽¹⁾ Relates to transfers to Level 2 due to availability of market observable inputs.

⁽²⁾ # represents amounts less than \$0.5 million.

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41. Fair values of financial instruments (continued)

41.3 Fair value hierarchy (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

\$ million	GROUP				BANK			
	2013		2012		2013		2012	
	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Liabilities measured at fair value								
At 1 January	68	68	68	68	34	34	31	31
Issues	11	11	21	21	11	11	12	12
Settlements/disposals	(23)	(23)	(12)	(12)	(#)	(#)	–	–
Transfers out of Level 3	(5) ⁽¹⁾	(5)	–	–	(5) ⁽¹⁾	(5)	–	–
Losses/(gains) recognised in								
- profit or loss	(4)	(4)	(8)	(8)	(11)	(11)	(9)	(9)
- other comprehensive income	(1)	(1)	(1)	(1)	–	–	–	–
At 31 December	46	46	68	68	29	29	34	34
Unrealised losses included in profit or loss for liabilities held at the end of the year	(13)	(13)	(7)	(7)	(11)	(11)	(6)	(6)

Gains/(losses) included in profit or loss are presented in the income statements as follows:

\$ million	GROUP				BANK			
	2013		2012		2013		2012	
	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains included in profit or loss for the year ended	4	4	8	8	11	11	9	9
Unrealised losses included in profit or loss for liabilities held at the end of the year	(13)	(13)	(7)	(7)	(11)	(11)	(6)	(6)

⁽¹⁾ Relates to transfers to Level 2 due to availability of market observable inputs.

⁽²⁾ # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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42. Offsetting financial assets and financial liabilities

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

Types of financial assets/liabilities GROUP (\$ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) ⁽¹⁾	Gross recognised financial instruments in scope (A – B = C + D + E) ⁽²⁾	Related amounts <u>not</u> offset on balance sheet		Net amounts in scope (E)
				Financial instruments (C) ⁽³⁾	Cash collateral received/pledged (D)	
2013						
Financial assets						
Derivative receivables	5,194	1,262	3,932	2,948	40	944
Reverse repurchase agreements	2,183 ⁽⁴⁾	1,684	499	494	–	5
Securities borrowings	51 ⁽⁵⁾	–	51	40	–	11
Total	7,428	2,946	4,482	3,482	40	960
Financial liabilities						
Derivative payables	5,509	1,005	4,504	2,948	746	810
Repurchase agreements	1,897 ⁽⁶⁾	164	1,733	1,731	–	2
Securities lendings	14 ⁽⁷⁾	–	14	1	–	13
Total	7,420	1,169	6,251	4,680	746	825
2012						
Financial assets						
Derivative receivables	5,155	740	4,415	3,347	95	973
Reverse repurchase agreements	1,825 ⁽⁴⁾	485	1,340	1,333	–	7
Securities borrowings	97 ⁽⁵⁾	–	97	87	–	10
Total	7,077	1,225	5,852	4,767	95	990
Financial liabilities						
Derivative payables	5,001	745	4,256	3,345	595	316
Repurchase agreements	1,859 ⁽⁶⁾	107	1,752	1,751	–	1
Securities lendings	41 ⁽⁷⁾	–	41	20	–	21
Total	6,901	852	6,049	5,116	595	338

⁽¹⁾ Represents financial instruments not subjected to master netting agreements.

⁽²⁾ Represents financial instruments subjected to master netting agreements.

⁽³⁾ Represents financial instruments that do not meet offsetting criteria.

⁽⁴⁾ Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.

⁽⁵⁾ Cash collateral placed under securities borrowings are presented under other assets on the balance sheet, and are measured at amortised cost.

⁽⁶⁾ Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.

⁽⁷⁾ Cash collateral placed under securities lendings are presented under deposits of banks and non-bank customers, and are measured at amortised cost.

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42. Offsetting financial assets and financial liabilities (continued)

Types of financial assets/liabilities BANK (\$ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) ⁽¹⁾	Gross recognised financial instruments in scope (A – B = C + D + E) ⁽²⁾	Related amounts <u>not</u> offset on balance sheet		
				Financial instruments (C) ⁽³⁾	Cash collateral received/pledged (D)	Net amounts in scope (E)
2013						
Financial assets						
Derivative receivables	4,195	481	3,714	2,814	40	860
Reverse repurchase agreements	499 ⁽⁴⁾	–	499	494	–	5
Securities borrowings	41 ⁽⁵⁾	–	41	39	–	2
Total	4,735	481	4,254	3,347	40	867
Financial liabilities						
Derivative payables	4,495	233	4,262	2,814	704	744
Repurchase agreements	1,733 ⁽⁶⁾	–	1,733	1,731	–	2
Total	6,228	233	5,995	4,545	704	746
2012						
Financial assets						
Derivative receivables	4,693	298	4,395	3,355	95	945
Reverse repurchase agreements	952 ⁽⁴⁾	–	952	945	–	7
Securities borrowings	66 ⁽⁵⁾	–	66	63	–	3
Total	5,711	298	5,413	4,363	95	955
Financial liabilities						
Derivative payables	4,620	371	4,249	3,352	617	280
Repurchase agreements	1,752 ⁽⁶⁾	–	1,752	1,751	–	1
Total	6,372	371	6,001	5,103	617	281

⁽¹⁾ Represents financial instruments not subjected to master netting agreements.

⁽²⁾ Represents financial instruments subjected to master netting agreements.

⁽³⁾ Represents financial instruments that do not meet offsetting criteria.

⁽⁴⁾ Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.

⁽⁵⁾ Cash collateral placed under securities borrowings are presented under other assets on the balance sheet, and are measured at amortised cost.

⁽⁶⁾ Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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43. Contingent liabilities

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	4,759,496	3,484,131	4,117,189	2,955,362
Term to maturity of more than one year	2,856,314	2,719,085	2,264,338	2,369,053
	7,615,810	6,203,216	6,381,527	5,324,415
Acceptances and endorsements	1,329,853	915,270	694,046	188,433
Documentary credits and other short term trade-related transactions	3,251,621	1,981,694	2,032,148	1,466,867
	12,197,284	9,100,180	9,107,721	6,979,715
43.1 Analysed by industry				
Agriculture, mining and quarrying	333,829	285,983	74,814	42,474
Manufacturing	2,036,046	1,756,473	1,341,502	1,415,868
Building and construction	1,796,114	1,648,358	1,298,702	1,300,388
General commerce	4,780,148	2,944,882	3,643,956	2,112,801
Transport, storage and communication	795,199	594,564	768,337	582,844
Financial institutions, investment and holding companies	1,033,645	460,575	1,049,630	523,985
Professionals and individuals	262,901	321,770	64,607	74,311
Others	1,159,402	1,087,575	866,173	927,044
	12,197,284	9,100,180	9,107,721	6,979,715
43.2 Analysed by geography				
Singapore	7,302,367	5,650,283	7,453,610	5,836,483
Malaysia	1,246,295	1,107,766	131,039	248,115
Indonesia	887,196	868,412	–	–
Greater China	2,320,320	1,153,510	1,063,880	551,454
Other Asia Pacific	287,600	240,054	305,686	263,508
Rest of the World	153,506	80,155	153,506	80,155
	12,197,284	9,100,180	9,107,721	6,979,715

Contingent liabilities analysed by geography is based on the country where the transactions are recorded.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

44. Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group subject to notice requirements.

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
44.1 Credit commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	59,946,342	52,530,534	35,368,311	30,804,258
Term to maturity of more than one year	16,252,722	13,763,878	13,361,541	11,306,082
	<u>76,199,064</u>	<u>66,294,412</u>	<u>48,729,852</u>	<u>42,110,340</u>
44.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	44,609	49,841	14,921	17,640
After 1 year but within 5 years	54,397	55,867	13,717	16,188
Over 5 years	–	27	–	–
	<u>99,006</u>	<u>105,735</u>	<u>28,638</u>	<u>33,828</u>
Capital commitment authorised and contracted	270,446	140,413	216,612	83,236
Forward deposits and assets purchase	474,679	499,498	522,843	440,058
	<u>844,131</u>	<u>745,646</u>	<u>768,093</u>	<u>557,122</u>
44.3 Total commitments	<u>77,043,195</u>	<u>67,040,058</u>	<u>49,497,945</u>	<u>42,667,462</u>
44.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	1,341,487	1,342,297	710,074	724,808
Manufacturing	6,000,523	5,531,068	2,920,106	2,700,456
Building and construction	6,708,709	4,848,792	5,274,889	3,734,292
General commerce	12,228,506	10,501,410	10,051,478	8,527,585
Transport, storage and communication	3,256,549	3,171,384	2,680,292	2,866,893
Financial institutions, investment and holding companies	15,883,631	13,685,566	10,102,734	8,410,817
Professionals and individuals	24,102,195	21,033,097	13,314,321	11,721,431
Others	6,677,464	6,180,798	3,675,958	3,424,058
	<u>76,199,064</u>	<u>66,294,412</u>	<u>48,729,852</u>	<u>42,110,340</u>
44.5 Credit commitments analysed by geography				
Singapore	57,246,041	50,312,328	41,189,465	36,002,730
Malaysia	7,129,925	6,337,313	332,744	139,053
Indonesia	2,943,373	2,661,544	–	–
Greater China	6,256,444	4,884,744	4,577,642	3,863,263
Other Asia Pacific	1,700,415	1,466,409	1,707,135	1,473,220
Rest of the World	922,866	632,074	922,866	632,074
	<u>76,199,064</u>	<u>66,294,412</u>	<u>48,729,852</u>	<u>42,110,340</u>

Credit commitments analysed by geography is based on the country where the transactions are recorded.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

45. Assets pledged

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Government treasury bills and securities (Note 24)				
- Singapore	230,687	118,497	230,687	118,497
- Others	19,302	19,687	19,302	19,687
Placements with and loans to banks (Note 25)	793,115	1,464,467	793,115	1,464,467
Loans and bills receivable (Note 26)	24,503	–	–	–
Debt securities (Note 30)	1,042,115	453,504	876,730	343,684
	<u>2,109,722</u>	<u>2,056,155</u>	<u>1,919,834</u>	<u>1,946,335</u>
Repo balances for assets pledged	<u>1,896,941</u>	<u>1,858,816</u>	<u>1,732,537</u>	<u>1,751,402</u>

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is \$494.4 million (2012: \$1,515.8 million), of which \$174.1 million (2012: nil) have been sold or re-pledged. The Group is obliged to return equivalent assets.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

46. Assets held for sale

Assets held for sale comprise properties which the Group is disposing, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the current financial period.

47. Minimum lease rental receivable

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	GROUP		BANK	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Within 1 year	46,249	44,079	20,941	18,222
After 1 year but within 5 years	58,280	49,218	24,597	8,289
Over 5 years	258	80	–	–
	<u>104,787</u>	<u>93,377</u>	<u>45,538</u>	<u>26,511</u>

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

48. Related party transactions

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

48.1 Related party balances at the balance sheet date and transactions during the financial year were as follows:

GROUP (\$ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2013	#	7	15	119
Net increase/(decrease)	#	4	3	(76)
At 31 December 2013	#	11	18	43
(b) Deposits, borrowings and other payables				
At 1 January 2013	161	102	40	1,208
Net increase	7	53	#	64
At 31 December 2013	168	155	40	1,272
(c) Off-balance sheet credit facilities ⁽¹⁾				
At 1 January 2013	–	312	23	#
Net increase	–	18	11	#
At 31 December 2013	–	330	34	#
(d) Income statement transactions				
Year ended 31 December 2013				
Interest income	–	#	#	#
Interest expense	1	1	#	28
Rental income	#	2	–	1
Fee and commission and other income	#	1	2	121
Rental and other expenses	4	1	1	#
Year ended 31 December 2012				
Interest income	–	#	#	#
Interest expense	1	1	#	13
Rental income	#	2	–	#
Fee and commission and other income	#	1	1	89
Rental and other expenses	3	#	#	#

⁽¹⁾ Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.

⁽²⁾ # represents amounts less than \$0.5 million.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

48. Related party transactions (continued)

BANK (\$ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2013	5,812	–	2	12	119
Net increase/(decrease)	3,566	–	9	1	(76)
At 31 December 2013	9,378	–	11	13	43
(b) Deposits, borrowings and other payables					
At 1 January 2013	10,158	149	80	38	410
Net (decrease)/increase	(1,301)	6	57	(#)	(71)
At 31 December 2013	8,857	155	137	38	339
(c) Off-balance sheet credit facilities ⁽¹⁾					
At 1 January 2013	643	–	312	14	#
Net increase	701	–	13	10	#
At 31 December 2013	1,344	–	325	24	#
(d) Income statement transactions					
Year ended 31 December 2013					
Interest income	86	–	#	#	#
Interest expense	143	1	#	#	1
Rental income	8	–	–	–	–
Fee and commission and other income	31	–	#	#	121
Rental and other expenses	230	4	#	#	#
Year ended 31 December 2012					
Interest income	95	–	#	#	#
Interest expense	160	1	#	#	1
Rental income	7	–	–	–	–
Fee and commission and other income	23	–	#	#	89
Rental and other expenses	235	3	#	#	#

⁽¹⁾ Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.

⁽²⁾ # represents amounts less than \$0.5 million.

48.2 Key management personnel compensation

	BANK	
	2013 \$ million	2012 \$ million
Key management personnel compensation is as follows:		
Short-term employee benefits	35	36
Share-based benefits	11	12
	46	48

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2013 included in the above table are subject to the approval of the Remuneration Committee.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

49. New accounting standards and interpretations

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised financial reporting standards and interpretations are mandatory with effect from the annual period commencing 1 January 2014:

FRS 27 (Revised)	<i>Separate Financial Statements</i>
FRS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
FRS 32 (Amendments)	<i>Offsetting Financial Assets and Financial Liabilities</i>
FRS 36 (Amendments)	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
FRS 39 (Amendments)	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
FRS 110	<i>Consolidated Financial Statements</i>
FRS 111	<i>Joint Arrangements</i>
FRS 112	<i>Disclosure of Interests in Other Entities</i>
FRS 27, 110, 112 (Amendments)	<i>Investment Entities</i>

FRS 110 introduces a new control model to determine whether an investee should be consolidated by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances and this will lead to a re-assessment of the control conclusion in respect of investees and may change the basis of consolidation which applies to these financial statements (see Notes 2.2.1 and 2.2.2).

FRS 112 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements.

50. Subsequent events

- (a) On 6 January 2014, OCBC Bank announced that it has entered into an exclusivity agreement with the substantial shareholders of Wing Hang Bank, Limited ("Wing Hang Bank") to seek to finalise the terms of a possible general offer by OCBC Bank for all the shares of Wing Hang Bank. The substantial shareholders of Wing Hang Bank will have until 3 March 2014 to seek to finalise the terms of the possible general offer by OCBC Bank.
- (b) On 14 January 2014, OCBC Bank announced that it has entered into an agreement to subscribe for up to 207,545,680 new ordinary shares in Bank of Ningbo Company Limited ("Bank of Ningbo") at a subscription price of RMB8.85 for each new share. The total consideration of approximately RMB1.8 billion or S\$383 million will be funded through internal resources. OCBC Bank's aggregate equity stake in Bank of Ningbo is expected to increase from 15.3% to 20.0% of the enlarged issued capital.

Subject to the fulfilment of certain conditions, the share subscription is expected to be completed in the third quarter of 2014.

CAPITAL MANAGEMENT
AND
RISK MANAGEMENT

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

CAPITAL MANAGEMENT

(This section forms an integral part of OCBC's audited financial statements)

Capital Policy

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition to achieve an efficient mix of different capital instruments in order to optimise its overall cost of capital.

Capital Monitoring and Planning

OCBC Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth, and to pursue strategic business and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite. OCBC Group's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a 3-year period. This process takes into consideration OCBC's business strategy, operating environment, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are also conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group can continue to maintain adequate capital under such scenarios.

Within OCBC Group, excess capital will be centralised as far as possible at the parent (i.e. OCBC Bank) level to ensure easy deployment across the Group. Whilst the transfer of capital resources within the Group is generally subject to regulations in local jurisdictions, where applicable, OCBC has not faced significant impediments on the flow of capital within the Group.

Capital Initiatives

In the financial year ended 31 December 2013, the capital initiatives undertaken by the Group were mainly capital redemptions. OCBC's existing Additional Tier 1 and Tier 2 capital instruments were issued under the Basel II capital adequacy framework. These capital instruments did not contain provisions to require them to be written off or converted into ordinary shares if the Bank was determined by the Monetary Authority of Singapore ("MAS") to be non-viable. As such capital instruments are to be gradually phased out under MAS' Basel III transitional rules, the redemptions generally improved the efficiency of the Group's remaining capital instruments, i.e. a higher proportion of them could be recognised as regulatory capital.

Tier 1 Capital

- Redemption of S\$1 billion Class B preference shares by OCBC Bank on 29 July 2013.
- Redemption of S\$500 million Class E preference shares by OCBC Bank on 28 January 2013.

Tier 2 Capital

- Redemption of MYR600 million subordinated bonds by OCBC Bank on 6 June 2013.
- Redemption of MYR1 billion subordinated bonds by OCBC Bank on 27 March 2013.

Others

- Rights issue of IDR3.5 trillion completed by OCBC NISP on 25 November 2013.
- Redemption of IDR600 billion subordinated bonds by OCBC NISP on 12 March 2013.

Dividend

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the financial year ended 31 December 2013, the Board of Directors has recommended a final dividend of 17 cents per share. This brings the full year 2013 dividend to 34 cents per share, or an estimated total dividend payout of S\$1,167 million, representing 42% of the Group's core net profit of S\$2,768 million (2012: total dividend payout of S\$1,134 million, representing 40% of the Group's core net profit of S\$2,825 million).

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

CAPITAL MANAGEMENT

(This section forms an integral part of OCBC's audited financial statements)

Share Buyback and Treasury Shares

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently cancelled, sold or used to meet delivery obligations under employee share schemes. During the financial year ended 31 December 2013, the Bank purchased 14.5 million of its ordinary shares for S\$150 million as part of its fourth S\$500 million share buyback programme, while 16.3 million treasury shares were delivered to meet obligations under its employee share schemes.

Capital Adequacy Ratios

On 14 September 2012, the Monetary Authority of Singapore ("MAS") revised the MAS Notice 637 to implement the Basel III capital adequacy framework for Singapore. The Basel III capital standards came into effect on 1 January 2013 and are being progressively phased in on 1 January each year, from 2013 to 2019. Singapore-incorporated banks are required to meet minimum Common Equity Tier 1 ("CET1"), Tier 1, and total capital adequacy ratios of 4.5%, 6.0%, and 10.0%, respectively, in 2013. The minimum CET1 and Tier 1 capital adequacy ratios will increase by 1.0 percentage point each year to 6.5% and 8.0%, respectively, in 2015. Total capital adequacy ratio ("CAR") will remain unchanged at 10.0%.

To ensure that banks build up adequate capital buffer outside periods of stress, a Capital Conservation Buffer of 2.5 percentage points above the minimum capital adequacy requirements will be introduced. To be met with CET1 capital, this requirement will begin at 0.625% on 1 January 2016, and increase by 0.625 percentage point on 1 January each year, to reach 2.5% on 1 January 2019. Including the Capital Conservation Buffer, Singapore-incorporated banks will be required to meet CET1 CAR, Tier 1 CAR and total CAR of 9.0%, 10.5% and 12.5%, respectively, from 1 January 2019.

In addition, OCBC will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2013 based on MAS' transitional Basel III rules for 2013. The capital adequacy ratios were determined in accordance with the requirements of MAS Notice 637, which included the definitions for CET1, Tier 1 and Tier 2 capital, the required regulatory adjustments against capital (including goodwill, intangible assets, deferred tax assets and capital investments in unconsolidated major stake companies), and the methodologies available for computing risk-weighted assets. As per the requirements of MAS Notice 637, OCBC's insurance subsidiaries were not consolidated for the computation of the capital adequacy ratios, i.e. capital investments in these insurance subsidiaries were deducted from OCBC's capital and their assets were excluded from the computation of OCBC's risk-weighted assets.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 16 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Basel III Pillar 3 Risk Disclosures" chapter.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

CAPITAL MANAGEMENT

(This section forms an integral part of OCBC's audited financial statements)

\$ million	Basel III 2013	Basel II 2012
Tier 1 Capital		
Ordinary shares	8,052	7,057
Disclosed reserves/others	15,838	15,770
Regulatory adjustments	<u>(2,006)</u>	
Common Equity Tier 1 capital	21,884	
Additional Tier 1 capital	3,458	4,955
Regulatory adjustments	<u>(3,458)</u>	<u>(6,191)</u>
Tier 1 Capital	21,884	21,591
Tier 2 Capital	4,191	4,586
Revaluation surplus on available-for-sale equity securities	–	236
Regulatory adjustments	<u>(1,536)</u>	<u>(2,303)</u>
Total Eligible Capital	24,539	24,110
Credit	124,648	106,169
Market	15,891	14,431
Operational	<u>9,786</u>	<u>9,047</u>
Risk Weighted Assets	150,325	129,647
Capital Adequacy Ratios		
Common Equity Tier 1	14.5%	Not applicable
Tier 1	14.5%	16.6%
Total	16.3%	18.5%

The Group's CET1 CAR as of 31 December 2013, on a fully implemented basis, was 10.9%. In computing this ratio, the required regulatory adjustments made against CET1 capital and the recognition of non-controlling interests as CET1 capital were based on MAS' Basel III rules which will be effective from 1 January 2018.

OCBC's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2013, the capital adequacy ratios of these subsidiaries were above their respective local requirements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

RISK MANAGEMENT

(This section forms an integral part of OCBC's audited financial statements)

DEVELOPMENTS IN 2013

2013 was marked by increased efforts of regulators in Asian emerging economies to manage the impact of unprecedented global liquidity on asset prices, including new restrictions in property lending in Singapore. Even as the US and Eurozone economies recovered and raised the prospects for regional exporting countries, capital flows, exacerbated by fears over premature US Fed tapering, remained volatile during much of 2013. Rotating capital flows highlighted the risks faced by regional economies when they deferred structural economic reforms. Meanwhile, China, as the key driver of intra-Asian trade in recent years, started to reposition and restructure itself from an export investment-led economy to a more sustainable consumption model that would likely result in lower growth rates and reshape the opportunities for Asia.

The financial sector in Singapore remained resilient, as confirmed by the International Monetary Fund in their 2013 Financial Sector Assessment Program ("FSAP") review. OCBC has already met prevailing Basel III expectations, and continued to be well poised to deal with the shifting economic landscapes and heightened regulatory expectations. To ensure an effective and robust liquidity management profile, we proactively managed and optimised the mix of our funding sources to support our liquidity needs in key locations. OCBC's asset quality remained sound as our underwriting discipline emphasized admitting established firms in our core markets of Singapore, Malaysia, Indonesia and Greater China, with sound risk ratings within our defined risk appetite limits. Our non-performing loan ratio and credit losses remained, and continue to be, one of the lowest within the domestic financial sector.

Looking forward, we believe that regional governments are taking prudent actions to manage the impact caused by the withdrawal of US Quantitative Easing ("QE"). We remain watchful of China's plans and ability to transition its economy and the uncertainties over the speed of US Fed tapering. As we deepen our regional footprint, we are cognizant of the importance of ensuring that effective operational and information security controls fit each market. We have strengthened our crisis response and incident management capabilities, and are taking a leading role in the Association of Banks in Singapore ("ABS") Standing Committee's cyber security awareness programmes. The role allows us to proactively collaborate with industry participants and key government agencies to address and mitigate cyber threats.

OCBC remains committed to its prudent lending posture with customer-centric and mitigating strategies over emerging risks. Our sound asset quality and capital ratios put us in a strong position to capitalise on new and emerging business opportunities as the global economy recovers and as China continues to expand the use of Renminbi in international trade.

RISK MANAGEMENT IN OCBC GROUP

The OCBC Group believes that sound risk management is paramount to the success of our risk-taking activities. Our philosophy is to ensure that risks and returns remain consistent with our risk appetite. To achieve this, we proactively identify any emerging portfolio threats and credit concentrations at an early stage in order to develop timely risk-response strategies.

The key elements of OCBC Group's enterprise-wide risk management strategy are:

- **Risk appetite** – The Board of Directors approves the Group's risk appetite, and that all risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- **Risk frameworks** – The Group's risk management frameworks for all risk types are documented, comprehensive, and consistent.
- **Holistic risk management** – Risks are managed holistically, with a view to understand the potential interactions among risk types.
- **Qualitative and quantitative evaluations** – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

RISK MANAGEMENT

(This section forms an integral part of OCBC's audited financial statements)

The Board of Directors and senior management provide the direction to the Group's effective risk management that emphasises well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk infrastructure, regular review and enhancement of risk management policies and procedures, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Group Audit also provides independent assurance that the Group's risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analyses identify possible events or market conditions that could adversely affect the Group. These results are taken into account in the Group's capital adequacy assessment and setting of risk limits.

This risk management chapter discusses the risk management practices, policies, and frameworks of OCBC Group, excluding Great Eastern Holdings ("GEH") and PT Bank OCBC NISP Tbk ("NISP"). GEH and NISP are listed companies that publish their own annual reports that contain information on their risk management frameworks and practices (refer to Note 39 in the Group's Financial Statements for information on GEH's risk management). Group management collaborates with GEH and NISP on aligning their risk management practices to Group risk standards through knowledge sharing and training.

All other banking subsidiaries are required to implement risk management policies that conform to Group standards including the adoption of stricter local regulations where necessary. Approving authority and limit structures are consistent with the Group to ensure proper ownership and accountability.

RISK GOVERNANCE AND ORGANISATION

The Board of Directors establishes the Group's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal Board committee that oversees the Group's risk management. It reviews and approves the Group's overall risk management philosophy, risk management frameworks, major risk policies, and risk models. The BRMC also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Group's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for review and action.

The BRMC is supported by Group Risk Management Division ("GRM"), headed by the Group Chief Risk Officer. GRM has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Dedicated GRM officers establish Group-wide policies, risk measurement and methodology. They also monitor the Group's risk profiles and portfolio concentrations. The Group's risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support risk decisions. Compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains market competitive.

Senior management actively manages risks through various risk management committees, such as the Credit Risk Management Committee, the Market Risk Management Committee, the Asset and Liability Management Committee, the Operational Risk and Information Security Committee, as well as the Risk Capital Committee. Both risk-taking and risk control units are represented in these committees, emphasising shared risk management responsibilities.

Credit officers' personal approval authority limits are based off internal risk ratings and set according to their relevant experience and qualifications. GRM officers also provide expertise during the design and approval of new products to ensure existing systems and processes are able to adequately support any new product risks.

BASEL REQUIREMENTS

OCBC Group has implemented Monetary Authority of Singapore ("MAS") Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. MAS 637 has been revised to further raise the quality of regulatory capital base and to enhance risk coverage under Basel III. As part of enhanced public disclosures on risk profile and capital adequacy, we commenced publishing mid-year disclosures on our investor relations website in 2013. (Please refer to the Pillar 3 Disclosures section for information as at 31 December 2013).

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RISK MANAGEMENT

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For credit risk, the Group has adopted the Foundation Internal Ratings-Based (“F-IRB”) approach and supervisory slotting criteria to calculate credit risk-weighted assets for major non-retail portfolios, and the Advanced Internal Ratings-Based (“A-IRB”) approach for major retail and small business lending portfolios. Other credit portfolios are on the standardised approach (“SA”) and they will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type, and maturity.

For market and operational risk, the Group has adopted the standardised approach. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move towards Internal Model Approach for market risk.

The Group performs an Internal Capital Adequacy Assessment Process (“ICAAP”) assessment annually to ensure the Group is able to maintain sound capital levels after consideration of material risks under various stress scenarios. Combined with the Board approved Risk Appetite Statement, the ICAAP process provides a high-level of assurance the Group will remain financially sound and prudently managed at all times.

Implementing the Basel framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Group management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and higher liquidity and capital requirements.

CREDIT RISK MANAGEMENT

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. As our primary business is commercial banking, the Group is exposed to credit risks from loans to retail, corporate, and institutional customers. Trading and investment banking activities, such as trading of derivatives, debt securities, foreign exchange, commodities, securities underwriting, and settlement of transactions, also expose the Group to counterparty and issuer credit risks.

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee (“CRMC”) is the senior management group that supports the CEO and the BRMC in proactively managing credit risk, including reshaping the credit portfolios. It reviews the Group’s credit risk philosophy, framework, and policies, and aligns credit risk taking with business strategy and planning. In addition, the CRMC recommends credit approval authority limits, reviews the risk profile of material portfolios, and highlights any concentration concerns to higher management.

Credit Risk Management (“CRM”) departments manage credit risk within pre-determined risk appetite, customer targets, limits and monitor compliance with standards set in risk policies. Dedicated risk functions are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting, and remedial loan management.

Regular risk reporting is made to the Board of Directors, BRMC and the CRMC in a timely, objective, and transparent manner. These reports include detailed profiles on portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio and geography. Such reporting allows senior management to identify adverse credit trends early, formulate and implement timely corrective action, and ensure optimal use of capital resources.

Credit Risk Management Approach

OCBC’s credit risk management framework covers the entire credit risk cycle, underpinned by comprehensive credit risk processes, as well as using models to efficiently quantify and manage risks in a consistent manner.

The Group seeks to take only credit risks that meet our underwriting standards, and risks that are commensurate with adequate returns to enhance shareholder value. As Fair Dealing remains an integral part of OCBC’s core corporate values, credit extensions are only offered after a comprehensive assessment of the borrower’s creditworthiness, as well as the suitability and appropriateness of the product offering. In addition, the key to our risk management success lies in the sound judgement of our experienced credit officers.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

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Lending to Consumers and Small Businesses

Credit risks for the consumer and small business sectors are managed on a portfolio basis with credit programmes for mortgages, credit cards, auto loans, commercial property loans, and business term loans. Loans are underwritten that conform to clearly defined target markets, terms of lending and maximum loan sizes. Credit origination source analysis and independent verification of documentation are in place to prevent fraud. The portfolios are closely monitored monthly using MIS analytics. Scoring models are also used in the credit decision process for some products to enable objective, consistent decisions and efficient processing. Behavioural scores are used to identify potential problem credits early to proactively manage the start of collection efforts.

Lending to Corporate and Institutional Customers

Loans to corporate and institutional customers are individually assessed and approved by experienced risk officers. They identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration management quality, financial and business competitive profiles against industry and economic threats. Collateral or other credit support are also assessed to mitigate and reduce risks. Credit extensions are guided by pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extensions, co-grantor approvals and shared risk ownership are required from both the business unit as well as credit risk functions.

Lending to Private Banking Customers

Credit extensions to our wealth management clients in the Bank of Singapore are subject to comprehensive credit assessment and compliance to loan ratios and margin requirements. Joint approvals from the business and risk units also ensure objectivity. Loan advance rates are dependent on the liquidity, volatility and diversification of the collateral portfolio. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification controls.

Credit Risk from Investment or Trading Activities

Counterparty credit risks from our trading, derivative, and debt securities activities are closely monitored and actively managed to protect against potential losses in replacing a contract if a counterparty defaults. Counterparty credit limits are established for each counterparty following an assessment of the counterparty's creditworthiness in accordance with internal policies, as well as the suitability and appropriateness of the product offering. Credit exposures are also controlled through independent monitoring and prompt reporting of excesses and breaches against approved limits and risk mitigation thresholds.

The Group has limited exposure to asset-backed securities and collateralised debt obligations and is not active in securitisation activities.

Internal Credit Rating Models

Internal credit rating models are an integral part of OCBC Group's credit risk management, decision-making process, and capital assessment. These internal rating models and the parameters – probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") – are factors used in limit setting, credit approval, monitoring, reporting, remedial management, stress testing, and internal assessment of the adequacy of capital and provisions.

Model risk is managed under an internal Model Risk Management framework, including an internal ratings framework, to govern the development and validation of rating models and the application of these models. Approval for material models and annual validation results rests with the BRMC. All models are subject to independent validation before implementation to ensure that all aspects of the model development process have met internal standards. The models are developed with active participation by credit experts from risk taking and risk control units. In addition, the models are also subject to annual review (or more frequently, where necessary) and independent validation to ensure the models are performing as expected, and that the assumptions used in model development remain appropriate. All rating models are assessed against regulatory requirements to ensure compliance.

The Group's internal risk grades are not explicitly mapped to external credit agency ratings. Nevertheless, our internal risk grades may correlate to external ratings in terms of the probability of default ranges as factors used to rate obligors would be similar; an obligor rated poorly by an external rating agency is likely to have a weaker internal risk rating.

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A-IRB for Major Retail Portfolios

The Group has adopted the Advanced Internal Ratings-Based (“A-IRB”) approach for major retail portfolios, including residential mortgages, credit cards, auto loans, as well as small business lending. Internal rating models, developed from internal data, are used to estimate PD, LGD, and EAD parameters for each of these portfolios. Application and behaviour scorecards are used as key inputs for several retail PD models. Product, collateral, and geographical characteristics are major factors used in the LGD and EAD models.

F-IRB for Major Non-Retail Portfolios

The Group's major non-retail portfolios are on the Foundation Internal Ratings-Based (“F-IRB”) approach. Under this approach, internal models are used to estimate the PD for each obligor, while LGD and EAD parameters are prescribed by MAS. These PD models are statistically-based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to expected long-term average one-year default rate over an economic cycle. Expert judgement models are typically used for portfolios with low defaults following inputs from relevant internal credit experts. The models also comply with the regulatory criteria for parameterisation. For major specialised lending portfolios, risk grades derived from internal models are mapped to the five supervisory slotting categories as prescribed in MAS Notice 637. The risk weights prescribed for these slotting categories are used to determine the regulatory capital requirements for such exposures.

IRB Approach for Securitisation Exposures

The credit risk weighted assets for securitisation exposures are computed using the ratings-based method for such exposures as prescribed by MAS Notice 637.

Standardised Approach for Other Portfolios

Other credit portfolios, such as private banking and exposures to sovereigns are under the standardised approach, and will be progressively migrated to the ratings-based approaches. Regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies, where available, are used to determine regulatory capital. Approved external rating agencies include Standard & Poor's, Moody's, and Fitch.

Credit Risk Control

Credit Risk Mitigation

Transactions are entered into primarily on the strength of a borrower's creditworthiness and ability to repay. To mitigate credit risk, the Group accepts collateral as security, subject to Group policies on collateral eligibility. Collateral include both physical and financial assets. The value of collateral is prudently assessed on a regular basis, and valuations are performed by independent qualified appraisers. Appropriate discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. The loan-to-value ratio is a main factor in secured lending decision. OCBC Group also accepts guarantees from individuals, corporates, and institutions as a form of support.

For derivative contracts, the total credit exposure of the contract is the mark-to-market value plus the estimate of the potential credit exposure over the remaining term of the contract. The Group calculates such exposures and uses statistical modelling tools to estimate the potential worst-case scenario risk. To manage counterparty credit risk, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. A discount is normally applied on the collateral to cover potential adverse market volatility and currency risk. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed an agreed threshold. Master agreements, such as those from International Swaps and Derivatives Agreement (“ISDA”), are also used and these allow for close out netting if either counterparty defaults. Some of our netting and collateral agreements may contain rating triggers, mostly in the event of a one-notch rating downgrade. Given the Group's investment grade rating, there is minimal increase in collateral required to be provided to our counterparties under a one-notch downgrade occurrence.

Managing Credit Risk Concentrations

Credit risk concentrations may arise from lending to single customer groups, borrowers who are in similar activities, or diverse groups of borrowers being affected by similar economic or market conditions. To manage such concentrations, limits are established for single borrowing groups, products, industry segments, and cross-border transfer risks. These limits are aligned with the Group's business strategy, capacity and expertise. Impact on earnings and capital are also considered during the setting of limits.

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The Group continues to diversify its country exposure as it expands its presence and activities in Greater China and Indonesia. As a key player at home, we have significant exposure to the real estate market in Singapore. Dedicated specialist real estate teams manage this risk with focus on client selection, collateral quality, project viability, and real estate cycle trends. Regular stress tests are also made to identify potential vulnerabilities on the real estate portfolio.

The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Remedial Management

The Group constantly strives to anticipate early problem credits and proactively manage such credits as they start to deteriorate and/or restore to good health. As we value long-term customer relationships, we prefer to work closely with them at the onset of their difficulties. We recognise the opportunity to promote customer loyalty and retention, where appropriate, even as we enforce strict discipline on remedial management.

Loans are categorised as “Pass” or “Special Mention”, while non-performing loans (“NPLs”) are categorised as “Substandard”, “Doubtful”, or “Loss” in accordance with MAS Notice 612.

OCBC Group has dedicated specialist workout teams to manage problem exposures. Time, risk-based, and discounted cash flow approaches are used to develop collection and asset recovery strategies. The Group uses information and analytical data such as delinquency buckets and adverse status tags for delinquent consumer loans, to constantly fine-tune recovery efforts to gain optimal effectiveness, and to identify customer retention opportunities.

Impairment Allowances for Loans

The Group maintains loan allowances that are sufficient to absorb credit losses inherent in its loan portfolio. Total loan loss reserves comprise specific allowances against each NPL and a portfolio allowance for all loans to cover any losses that are not yet evident. The Group's policy for loan allowances is guided by Financial Reporting Standard 39 (“FRS 39”), as modified by MAS Notice 612.

Specific allowance is established when the present value of future recoverable cash flows of the impaired loan is lower than the carrying value of the loan. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homogenous loans (such as housing loans, consumer loans, and credit card receivables) that fall below a certain materiality threshold. Such loans may be pooled together according to their risk characteristics and collectively assessed according to the degree of impairment severity, taking into account historical loss experience.

Portfolio allowances are set aside based on management's credit experiences and judgement for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 1% portfolio allowance is set aside under the transitional arrangement in MAS Notice 612.

Write-offs

Loans are written off against impairment allowances when the loss can be reasonably determined; i.e. after recovery action has been exhausted or when recovery prospects are deemed remote.

Ceasing of Interest Accrual on Loans

When a loan is classified “Substandard”, “Doubtful”, or “Loss”, interest income ceases to be recognised in the income statement on an accrual basis. However, this non-accrual of interest does not preclude the Group's entitlement to the interest income as it merely reflects the uncertainty in the collectability of such interest income.

Collateral Held Against NPLs

Real estate in Singapore forms the main type of collateral for the Group's NPLs. The realisable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Cross collateralisation will only apply when exposures are supported by proper legal documentation.

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MARKET RISK MANAGEMENT

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. OCBC Group is exposed to market risks from its trading and client servicing activities.

Our market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Market Risk Management Committee ("MRMC") is the senior management committee that supports the BRMC and the CEO in market risk oversight. The MRMC establishes the market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The MRMC is supported at the working level by Market Risk Management ("MRM") within GRM. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for undertaking proactive risk management within their approved trading strategies and investment mandates, whilst MRM acts as the independent monitoring unit to ensure sound governance. Key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via the Group's new product approval process at product inception. Market risks are also identified by our risk managers from their other ongoing interactions with the business units.

Market Risk Measurements

Value-At-Risk

Value-at-risk ("VaR") is a key market risk measure for the Group's trading activities. The BRMC agrees on an aggregate market risk appetite based on VaR. VaR is measured and monitored by its individual market risk components, namely interest rate risk, foreign exchange risk, equity risk and credit spread risk, as well as at the aggregate level. VaR is based on a historical simulation approach and is applied against a one-day holding period at a 99% confidence level. As VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions all the time. As such, losses on a single trading day may exceed VaR, on average, once every 100 days.

Other Risk Measures

As the Group's main market risk is interest rate fluctuations, Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from one basis point increase across the entire yield curve, is an additional measure monitored on a daily basis. Other than VaR and PV01, the Group also utilises notional amounts, CS01 (1 Basis Point move in Credit Spreads) and derivative greeks for specific exposure types, where appropriate, to supplement its risk measurements.

Stress Testing and Scenario Analyses

The Group also performs stress testing and scenario analyses to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance.

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The table below provides a summary of the Group's trading VaR profile by risk types as at 31 December 2013 and 31 December 2012.

VaR By Risk Type – Trading Portfolio

SGD Millions	2013				2012			
	Year End	Average	Minimum	Maximum	Year End	Average	Minimum	Maximum
Interest Rate Risk VaR	7.85	8.33	6.31	12.97	6.98	12.17	6.71	19.17
Foreign Exchange Risk VaR	7.50	5.05	2.98	8.98	3.01	5.68	2.09	13.77
Equity Risk VaR	1.01	1.26	0.75	1.91	1.43	2.13	1.23	3.76
Credit Spread Risk VaR	1.59	3.01	1.59	4.90	2.36	3.12	1.47	4.38
Diversification Effect ⁽¹⁾	-0.40	-7.79	NM ⁽²⁾	NM ⁽²⁾	-5.11	-7.06	NM ⁽²⁾	NM ⁽²⁾
Aggregate VaR	17.56	9.84	7.14	17.56	8.67	16.04	7.96	23.28

⁽¹⁾ Diversification effect is computed as the difference between Aggregate VaR and sum of asset class VaRs.

⁽²⁾ Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.

Risk Monitoring and Control

Limits

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VaR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model Validation

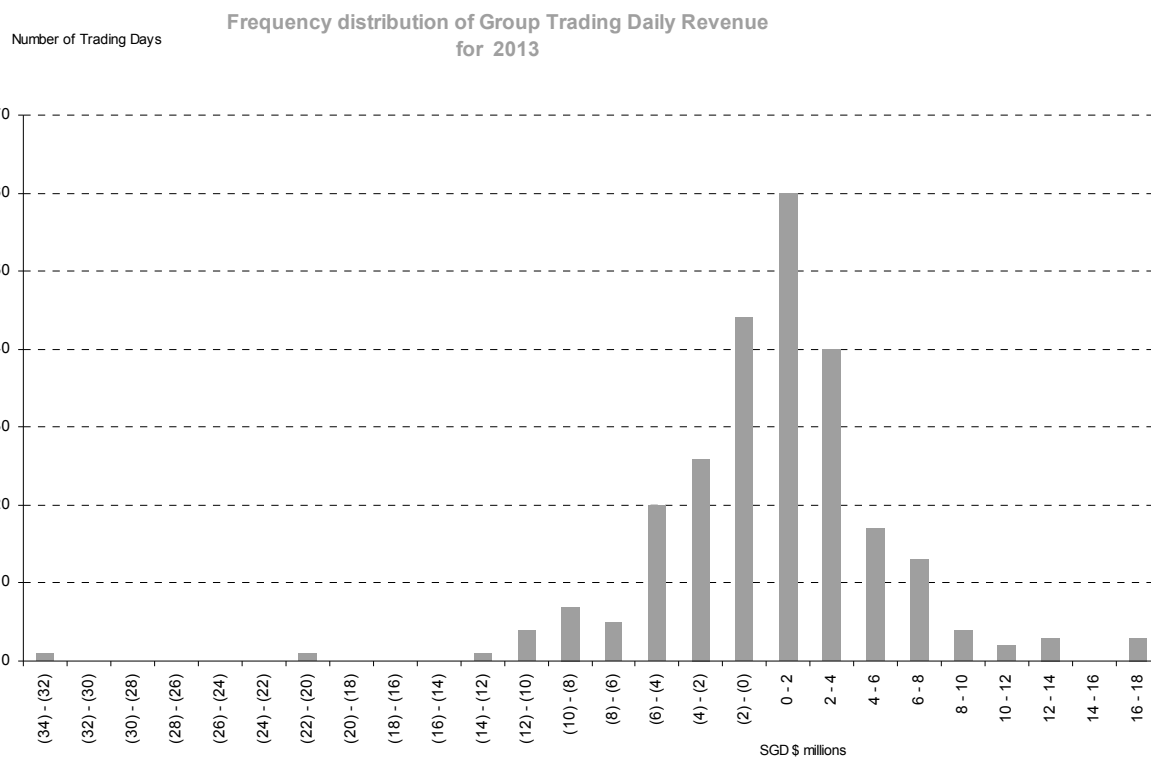
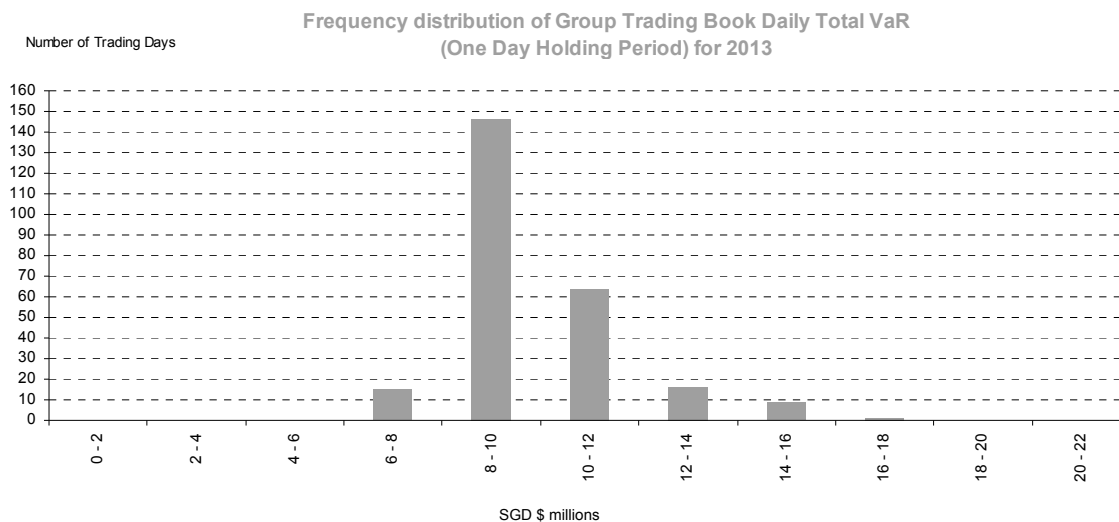
Model validation is also an integral part of the Group's risk control process. Risk models are used to price financial instruments and to calculate VaR. The Group ensures that the models used are fit for their intended purpose, through internal verification and assessment. Market rates used for risk measurements and valuation are sourced independently, thereby adding further to the integrity of the trading profits and losses ("P&L"), risk and limit control measurements.

To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading P&L, as well as theoretical P&L against the model's statistical assumptions.

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ASSET LIABILITY MANAGEMENT

Asset liability management is the strategic management of the balance sheet structure and liquidity needs, covering liquidity sourcing and diversification, structural interest rate and structural foreign exchange management.

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Asset Liability Management Oversight and Organisation

The Asset Liability Management Committee (“ALCO”) is responsible for the oversight of our Group liquidity and balance sheet risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units. The ALCO is supported by the Corporate Treasury within the Group Finance Division. Asset Liability Management within GRM provides liquidity and balance sheet risk/limit monitoring.

Asset Liability Management Approach

The Asset Liability Management framework comprises liquidity risk management, structural interest rate risk management and structural foreign exchange risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Our liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors, products and geographies. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

Structural Interest Rate Risk

The primary goal of interest rate risk management is to ensure that interest rate risk exposures are maintained within defined risk tolerances.

Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of interest rate risk are repricing risk, yield curve risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest rate scenarios on the net interest income and the economic value of the Group's equity. Other measures include interest rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest rate exposures are established in line with the Group's strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from net investment in overseas branches, subsidiaries, strategic as well as property assets. The objective is to protect the capital through identifying, measuring, and managing the potential adverse impact of structural foreign exchange risk on capital deployed. OCBC actively manages this risk through hedges and match funding for foreign currency investments, in order to minimise impact.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk management also covers fiduciary, legal and reputational risks.

The Group's operational risk management aims to both manage expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

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Operational Risk Management Oversight and Organisation

The Operational Risk and Information Security Committee (“ORISC”) is the senior management committee that oversees the execution of the Group’s operational risk management, information security and technology risk practices. ORISC ensures that various risk management programmes that are in place are appropriate, effective, and support the Group’s business strategy.

The Operational Risk Management (“ORM”) department within GRM establishes the ORM framework, including supporting policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Co-ordinators or managers in the business units and subsidiaries. Self-assessment declarations are subject to risk-based independent reviews.

Operational Risk Management Approach

OCBC Group adopts a framework that ensures operational risks are properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group’s control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing control functions without fear of intimidation or reprisal.

Each business unit undertakes regular self-assessment on the robustness of its own risk and control environment, including meeting all regulatory and legal requirements. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses.

Senior management attests annually to the CEO, Audit Committee and BRMC on the adequacy and effectiveness of the internal control system, as well as report key control deficiencies and accompanying remedial plans. Operational risk losses and incidents data trends are also analysed and regularly reported.

The Group Corporate Security function, set up since 2012, brought together Physical and People Security, Business Continuity Management, and Fraud Risk Management under one umbrella. New capabilities and initiatives have been implemented to further strengthen the Group’s resiliency and protection of its assets against unexpected events.

Physical and People Security

The Group recognises that as it expands its regional footprint, its personnel and assets may be exposed to more external threats. The Group Physical Security Policy and Standards provide the baseline safeguard requirements on security for the Group.

Business Continuity Management

The programme aims to reduce the interruption of essential business activities and services during times of crisis. Review and testing of its business recovery strategies and plans are carried out on an annual basis. Every year, senior management also provides an attestation to the BRMC. The attestation includes a measurement of the programme’s maturity, extent of alignment to MAS guidelines, and a declaration of acceptable residual risk.

Fraud Risk Management

The Group’s Fraud Risk Management and Whistle-Blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to ORISC and BRMC. Group Audit independently reviews all fraud and whistle-blowing cases, with regular reporting to the Audit Committee.

Reputational Risk Management

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Group by customers, counterparties, shareholders, investors and regulators. We have a reputational risk management programme which focuses on understanding and managing our responsibilities towards our different stakeholders, and protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

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Fiduciary Risk Management

The Group has a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures, to ensure the Group's compliance with applicable corporate standards.

Regulatory and Legal Risks

Each business unit is responsible for the adequacy and effectiveness of controls in managing both regulatory and legal risks. An annual Regulatory Compliance Certification is provided by senior management to the CEO and BRMC on the state of regulatory compliance.

Information Security and Technology Risk Management Approach

The Group protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets.

Enhanced Technology Risk Management Programme

New and appropriate security technologies are regularly identified and implemented as part of OCBC's holistic approach to managing technology risk. In 2013, we enhanced our Technology Risk Management programmes by implementing clearly defined risk appetite statements and ongoing monitoring of risks related to compliance, availability and information security.

Cyber Security

With the rise in cyber threats, OCBC has remained an active participant in cyber security initiatives within the banking sector. As chairman of the Association of Banks in Singapore ("ABS") Standing Committee's cyber security awareness programmes, we take a leading role in collaborating with industry participants and key government agencies to formulate cyber security awareness programmes. Amongst the Standing Committee's key objectives are to influence technology risk management strategies, practices and to recommend solutions to counter cyber threats.

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