MESSAGE FROM OCBC BANK’S CEO

Dear valued shareholders,

It gives me great pleasure to extend my congratulations to Bank OCBC NISP for achieving another consecutive year of record earnings in 2016. Despite the persistent headwinds in the operating environment, Bank OCBC NISP delivered broad-based income growth and achieved strong asset growth, while maintaining a robust capital and liquidity position. Prudent risk management has also ensured that asset quality remained healthy. Bank OCBC NISP is one of the most highly rated banks in Indonesia, as reflected by its AAA national credit rating from Fitch Ratings Indonesia and Pefindo, and is the 8th biggest national private bank in terms of total assets.

The highest standards of corporate governance and sustainable business practices are demonstrated by Bank OCBC NISP and its efforts were richly recognised by the numerous prominent awards it received during the year. Furthermore, it is very heartening to know that Bank OCBC NISP continued to actively support Corporate Social Responsibility programs by giving back to the communities which have long supported its success, especially during these difficult times.

The ongoing close collaboration between Bank OCBC NISP and OCBC Group has continued to deliver positive synergies to support the Group’s strategic objective of steadily deepening its presence in Indonesia as well as our other core markets of Singapore, Malaysia and Greater China where we have developed a well-diversified and integrated network. At the same time, OCBC Group remained steadfast in providing strong backing to Bank OCBC NISP’s operational and service excellence initiatives to deliver a superior experience for its valued customers.

Allow me to take this opportunity to summarise OCBC Group’s 2016 financial performance. Despite difficult business conditions that prevailed throughout the year, OCBC Group delivered a resilient set of results for our shareholders. Our results were underscored by the strength of our well-diversified franchise that continued to drive consistent and balanced long-term growth. Our wealth management franchise performed well, and our insurance business achieved strong underlying growth. Bank OCBC NISP also increased its contributions to the Group’s overall earnings. The overall quality of the Group’s loan portfolio remained sound and we remained conservative in our risk management processes. But the weak operating environment meant that we still saw areas of stress, particularly within the oil & gas support services sector, which drove an increase in non-performing loans and allowances. However, we further shored up our strong capital, liquidity and funding base, and our fundamental strength was also endorsed by the international rating agencies who maintained our AA investment grade rating with a Stable Outlook. While the global outlook in 2017 is expected to remain challenging, we remain watchful and will continue to grow prudently, invest in building our network and capabilities, while supporting our valued customers.

Finally, to Bank OCBC NISP’s valued customers and shareholders, thank you for your continued support and loyalty. To the Board of Commissioners, Board of directors, management and employees of Bank OCBC NISP, our warmest congratulations to yet another successful year of accomplishment, and my heartfelt gratitude for your unwavering commitment and contributions.

Samuel Nag Tsien
Group CEO OCBC Bank - Singapore
Dear Respected Shareholders,

Continued uncertainty of Global economic condition, modest growth in the United States, Brexit impact to Europe, the not-so-promising Japan, weakening Chinese economy and slower Indian economy have a negative impact on the economy of Asian countries in 2016.

Despite the above challenges, the Indonesian economy is still promising due to its strong domestic demands and huge natural resources, supported by the government spending, better investment policies and credible fiscal policy. Furthermore, declining inflation gave more space for monetary easing. On local currency, the balance of payments also recorded moderate surplus due to the support of high capital inflows and declining deficit, which helped to stabilize the Rupiah.

Through the implementation of prudent policy by the regulators, national banking sector was still able to maintain a healthy growth, as reflected in the improved profitability which was driven by higher operational efficiency, adequate level of capital and the managed level of non-performing loans amid the slowdown in credit growth. Besides the moderate credit growth, the inflows of tax amnesty funds is a contributing factor to restore liquidity.

Evaluation of Management Performance

Amidst the challenging macro economy condition and slower credit growth in Indonesian banking, based on Board of Commissioners’ evaluation, the Board of Directors was successful in achieving a strong set of results and a healthy and sustainable growth in 2016, as reflected in the increase of net profit by 19% year on year which has reached Rp 1.8 trillion in 2016. As a result, ROA and ROE ratios also increased from 1.7% and 9.6% in 2015 respectively to 1.8% and 9.8% in 2016. In addition, the Bank can maintain a high CAR which reached 18.3% at the end of 2016.

The Board of Commissioners strongly support strategic actions taken by Management to perform an effective financial intermediary function through prudent policy and highly selective policy on business sectors and customers selection to ensure good credit quality while meeting the business plan. The Bank took careful consideration on the customers’ credit quality condition as well as business sectors to maintain a healthy credit, while at the same time considering the future business plan. The result was reflected in the Board of Directors’ effort to focus on healthy loan growth by 9% year on year to Rp 93.4 trillion in 2016. The NPL ratio was kept at 1.9%, lower than the NPL ratio in banking industry in the same period of 2.9%.

The Board of Commissioners appreciated Board of Directors efforts to increase customer’s convenience in doing transactions and creating innovative product and process through continuous improvement, information technology infrastructure as well as process and operational efficiency. These activities successfully boosted third party fund by 19% year-on-year to Rp 103.6 trillion at the end of 2016. From these achievements, the total low cost funds (current and savings accounts) reached Rp...
40.8 trillion, or representing 39.4% of total third party funds. The success in efficiency reflected on the decrease of Cost to Income Ratio to 46.3% at the end of 2016 from 53.4% at end of 2015.

Overall, the Board of Commissioners was in the view that through effective and sound governance practices, Bank OCBC NISP has consistently achieved high quality earnings and delivered sustainable performance. Management has successfully implemented prudential principle as well as proactive risk management to achieve business growth.

**Oversight by Board of Commissioners**

The Board of Commissioners focused on the strategic topics and aspects related to the Bank’s response in facing both internal and external dynamic challenges. It was conducted with a proactive and preventive way to assure a healthy and sustainable growth. Furthermore, Board of Commissioners also maintained continuous communication to provide inputs and advice to the Board of Directors on relevant strategic matters.

In performing its oversight function, the Board of Commissioners was supported by its Audit Committee, Risk Monitoring Committee, Remuneration and Nomination Committee, Integrated Governance Committee. During 2016, all Committees have performed their duties and responsibilities satisfactorily to assist the oversight duties of Board of Commissioners, including providing reports and recommendations to Board of Commissioners concerning key matters requiring Board of Commissioners’ attention and consideration to implement its oversight function proactively and effectively.

During 2016, Audit Committee has well-performed its duties and responsibilities in assisting Board of Commissioners’ oversight duties by among others, evaluated the effectiveness of internal control system, reviewed the exercise of transparent financial reporting process, ensured independent and objective internal and external audit process as well as sound corporate governance practices.

Meanwhile, Risk Monitoring Committee has significantly contributed, among others, through its evaluation on proposed risk management policies and its review of the proper implementation of risk management in compliance with the risk management policies.

Remuneration and Nomination Committee has provided important contribution by among others, formulating the criteria and nomination of the Board of Directors and the Board of Commissioners as well as providing inputs on the performance-based system and remuneration.

Furthermore, the Integrated Governance Committee has assisted the Board of Commissioners in the oversight of the implementation of Integrated Corporate Governance through its evaluation on the adequacy of internal control and the adequacy of the implementation of compliance functions in each financial institution and on integrated basis and provided recommendations to the Board of Commissioners in improving the Integrated Corporate Governance Charter.

To enhance Committees’ performance, the Board of Commissioners has conducted an evaluation and assessment of the performance of all Committees.

The Board of Commissioners’ oversight on the implementation of the Board of Directors’ duties and responsibilities was carried out through joint meetings between Board of Commissioners and Board of Directors three times in a year.

During the meetings, the Board of Commissioners among others directed, monitored, and evaluated the implementation of the Bank’s strategic policies.

In addition, the Board of Commissioners also conducted several meetings with topics relevant to the achievement of business plan or other important key matters. In order to keep update on the most recent governance practices, the BOC together with BOD regularly visited selected branches with both weak and strong performances to have an open dialogue with local employees and leaders on governance practices and implementation, and to note and follow up constructive inputs on governance and risk management policies.

**Good Corporate Governance**

Based on the Board of Commissioners assessment, the commitment to Corporate Governance and the quality of its implementation at Bank OCBC NISP has been very satisfactorily well-implemented and continuously improved. This was reflected in the Bank’s soundness, healthy growth, and improved performance. Furthermore, our commitment to GCG implementation was acknowledged in various accolades in 2016 such as:

- “Most Trusted Company” in Corporate Governance Perception Index (CGPI) Award by Indonesian Institute for Corporate Governance (IICG) and SWA Magazine.
- Category of Excellent (A) in Indonesia Good Corporate Governance Award II by Economic Review.
- Top 10 Public Listed Companies and The Best Responsibilities of The Board based on Asean Corporate Governance Scorecard by Indonesian Institute for Corporate Directorship (IICD).

GCG monitoring was implemented thoroughly and strategically, with the assistance of the committees who provided a lot of advices to improve the quality of Bank OCBC NISP in accordance to their scopes.
Serious GCG implementation was also reflected on the Bank’s soundness. Related to the Bank’s obligation to conduct self-assessment of the Bank’s soundness using Risk Based Bank Rating (RBBR), covering GCG factors, Bank has conducted GCG self-assessment for the period of Januari-June 2016 and July-December 2016 as stipulated on SEBI No.15/15/DNP dated April 29, 2013 regarding GCG implementation for Commercial Bank. As of December 31, 2016, self-assessment of each aspect based on the risk had composite rank of 2 (rank 1 being the highest), reflecting on the Bank’s overall soundness condition.

Related to the monitoring of internal control system, risk management and governance, Board of Commissioners paid significant attention through the Audit Committee and Risk Monitoring Committee to continue monitor regularly to ensure that the Directors had followed-up on audit findings and improvement recommendations from Internal Audit Division, external auditors, monitoring reports from the Financial Services Authority and other authorities monitoring results.

2017 Prospect

Growth is expected to be better in 2017 than the previous year, especially driven by the momentum of the growth in government spending, private consumption and private investment aligned with the economic reform packages which are initiated lately. In addition, the potential improvement in global commodity prices can increase higher income and investment.

However, on the export growth, it is expected to remain challenging due to the global demand which has not fully recovered. Hopefully, it will grow faster than import and with more foreign investment inflows, they can lower the current account deficit.

Inflation was under control due to the government commitment such as in managing the logistic cost and non-tariff trade barriers. However, it can increase align with the rising price of crude oil, food material and other essential imported goods in 2017.

Potential risks of tax amnesty revenues that were lower than expected may result in budget cuts and delays in infrastructure projects which would have a domino effect on business activities. Furthermore, the deficit in the state budget and uncertain capital inflows as a result of global financial market volatility would inflict market and liquidity risks.

The non-performing loan in general will still require full attention, as shown in the industry higher NPL ratio. Despite having much lower problem, Bank OCBC NISP will continue to extra serious watch its loan portfolio and undertake necessary proactive measures.

In executing our business plans, we will always work based on prudent principles. Strengthen synergy with all stakeholders is also a strategic direction we have to adopt in anticipating continuous change of business risk and potential in order to achieve the target.

Appreciation

We would like to extend our gratitude and appreciation to customers, shareholders, dedicated employees, Bank Indonesia (BI) and Financial Services Authority (FSA), for their support on the development of Bank OCBC NISP as one of the prominent banks in Indonesia for the last 75 years. Also, to our colleagues, Mr. Roy Athanas Karaoglan, Commissioner for 14 years, whose term due on 2017 AGMS, our deepest appreciation for your contribution and outstanding service. Likewise to Mr. Made Rugeh Ramia, our Independent Audit Committee member for 4 years and was an Independent Risk Monitoring Committee Member for 6 years, whose term also due on 2017 AGMS, thank you very much for all useful advices and strong dedication to the Bank.

With a growing and prideful nation supported by all stakeholders, we have strong confidence that Bank OCBC NISP can be able to have sustainable good performance and to be the bank of choice with world-class standards recognized for its care and trustworthiness.

Sincerely Yours,

Pramukti Surjaudaja
Chairman
Bank OCBC NISP’s solid fundamental shows its resilience amid the slower global economic recovery.

**Dear Respected Shareholders,**

In 2016, the global economic recovery slowed down due to the China economic deceleration, weak commodity prices, and the financial tightening prospect for many countries. However, Indonesia has shown recovery supported by consumer and investment. The corporate sector was relatively better followed by the rising of financing support from loans and capital market.

In general, the financial system is relatively stable which is supported by the resilience of banking system. It is reflected on maintained credit risks, liquidity, and market risks as well as adequate capital ratio. The transmission of the policy relaxation in decreasing LPS rate and adjusting the cap deposit rates has boosted the loans growth limitedly.

**Financial Performance**

Bank OCBC NISP’s performance has shown sustainable business resilience. Discipline in implementing the portfolio diversification, which is in line with “Target Market Risk Acceptance Criteria” and “Prudential Banking Principle”, has contributed positively to target achievement amidst the challenging business condition.

Bank OCBC NISP has successfully recorded net income worth Rp 1.8 trillion in 2016 or rose 19% year-on-year. The total asset also grew 15% to Rp 138.2 trillion in the same year. Due to the achievement, Bank OCBC NISP is placed as the 8th biggest national private bank in terms of total asset, with market share of 2.1%. Total loans increased 9% to Rp 93.4 trillion, supported by the strong growth in SME and the consumer that exceeded the average industry growth.

Compared to previous year, the asset quality remains stable with the ratio of net non-performing loans of 0.8%, far below the regulatory requirement of 5%.

Total asset growth was supported by third parties fund growth reaching Rp 103.6 trillion or grew by 19% at the end of 2016 over the previous year. In addition, the funding diversification was conducted through Public Offering of Continuous Bond II Phase I amounted to Rp 2.0 trillion.

Bank OCBC NISP intermediation function remained well-maintained reflected on the LDR which stood at 89.9% and LFR at the level 88.2%.

Meanwhile, amid competitive banking industry condition in 2016, Bank OCBC NISP successfully increased its Net Interest Margin (NIM) reaching 4.6% compared to 4.1% at the previous year and improved operational efficiency by decreasing the Cost to Income Ratio from 53.4% in the previous year to 46.3%.

In terms of capital, total equity reached Rp 19.5 trillion and capital adequacy ratio take into account credit risk, market risk, and operational risk (CAR) was recorded at 18.3% per end of 2016, higher than 17.3% in the previous year.

Bank OCBC NISP serves customers across Indonesia with network of 340 offices, 763 ATMs and through electronic banking channels. We will continue to develop digital banking...
platform by launching a variety of online and mobile banking services to expand the range of banking services and improving the quality of customer experience.

The strong fundamental of Bank OCBC NISP successfully obtained its rating of "AAA" with a stable outlook by Fitch Ratings Indonesia and Pefindo, well-known rating agencies, this also positioned the Bank as one of the banks with highest credit rating in Indonesia in 2016.

During 2016, Bank OCBC NISP was rewarded with numerous awards, such as:

- Retail Banking and Wholesale Banking Award 2016 by Asian Banking & Finance Magazine, Singapore, for category of:
  - Indonesia SME Bank of the Year
  - Indonesia Foreign Exchange Bank of the Year
  - Indonesia Domestic Technology and Operations Bank of the Year
  - Mobile Banking Initiative of the Year
  - Website of the Year
- Indonesia Country Awards Program 2016 by The Asian Banker Magazine, Singapore, for category of:
  - Wealth Management of The Year
  - Best CRM (Customer Relationship Management) Project – Information Technology
  - The Best Sharia Business Unit and The Best in Retail Banking Services for category of Bank with asset in the range of Rp 50 trillion to Rp 100 trillion in Indonesia Banking Award 2016 by Tempo Magazine.
  - Parwati Surjaudaja as The Best CEO 2016 by SWA Magazine, Ipsos and Dunamis Organization Services

**Strategic Steps in 2016**
Bank OCBC NISP successfully recorded a positive performance in 2016, such as focusing on healthy banking practices and consistently execute effective long-term strategies such as:

1. Focused in succeeding branch network transformation by implementing the concept of “Our Branch Our Store” and aligning strategy priority from all functions.
2. Increased the synergies between segments in effort to provide the best solution for the Customer, with the effective product solution capability and intensity cross bundling and/or cross leveraging to develop the customer business potential.
3. Maintained a strong and sustainable business growth by increasing the current account and savings growth, healthy credit portfolio, and fee based income sustainably.
4. Improved Cost to Income Ratio by enhancing productivity of employees, continuing the operational cost efficiency steps including optimizing the network performance, executing improvement process and focusing on improving economies of scale from expenses.
5. Continued increasing in the risk management framework by focusing on harmonious synergy between business units as risk taking units with supporting units, and risk management units as risk monitoring and management units.
6. Improved operational and service excellence in order to become “Bank of Choice” for the customers through strategy and unique value proposition to optimize process and services technology in various segments.
7. Strengthened corporate culture and improved communication effectiveness through corporate values, as the strategic foundation for company’s growth in the long term.
8. Aligned the three lines of defense, in which the risk management was performed comprehensively by all organization lines to enhance effectiveness and efficiency of overall internal control functions.

**Implementation of Good Corporate Governance**
We believe that Good Corporate Governance (GCG) will continuously improve the Bank’s performance for the long term. Furthermore, the internalization of the highest quality standards with respect to GCG in the Bank’s culture will boost its positive performance.

We are proud that our commitment for GCG implementation has enabled us to maintain the trust of the stakeholders as well as to build a reputation and credibility of a strong positive brand image, which has led us to receive several awards such as:

- “Most Trusted Company” in Corporate Governance Perception Index by Indonesian Institute for Corporate Governance (IICG) and SWA Magazine.
- Category A (Excellence) in Indonesia Good Corporate Governance Award II by Economic Review.
- Silver Award for Annual Report from League of American Communication Professional (LACP), USA.
- Top 50 Public Listed Companies and The Best Responsibilities of The Board based on Asean Corporate Governance Scorecard by Indonesian Institute for Corporate Directorship (IICD).

**Changes in Management**
There were no changes in Bank OCBC NISP’s Management during 2016.

**Corporate Social Responsibility**
The economic slow down did not hinder Bank OCBC NISP’s commitment to support Corporate Social Responsibility (CSR) programs, which has been an integral part of the Bank’s culture. Moreover, we have been
proactively seeking for opportunities periodically to integrate our business interest with many social practices, in order to increase the tangible benefits from the CSR programs.

The Bank’s support has been focused on improving education and health standards, empowering community and improving the environment in the vicinity of the Bank’s premises. CSR educational programs are conducted through Financial of Literacy Socialization Program in 15 branch offices, as a form of participation of “Gerakan Inklusi Keuangan Nasional” implemented by FSA.

In addition, CSR related to social programs were directed to help improving welfare of the communities, such as:

- Bank OCBC NISP held “Education & Screening Thalassaemia” to prevent the Thalassaemia disorder in Indonesia (Batam, Denpasar, Makassar, Pekanbaru, Pontianak and Surakarta), with a theme “Recognize – Prevent and Break Thalassaemia”.
- Bank OCBC NISP held staple food donation with a theme of “Suci kan Hati, Panjatkan Syukur, Raih Kemenangan Hakiki”. The donation was targeting the orphans, poors, widows, mosque clerks as well as the residents around the office. It was held in 6 cities, which were Jakarta (OCBC NISP Tower and Gunung Sahari), Bandung, Surabaya, Makassar, Medan and Palembang.
- Bank OCBC NISP together with with Sharia Business Unit (SBU) held “Mudik Asyik 2016” on June 28, 2016, which participated by 132 people around the office in Jakarta, by three buses to Central Java, and 54 people around the office in Bandung to Central Java, by one bus to Central Java June 30, 2016.

Related to environment, the employees of Bank OCBC NISP and OCBC Bank – Singapore, together with the local communities performed action concerning the environment, by planting 2,000 Agathis (Damar) trees at Jayagiri, renovating school for Early Childhood Education (ECD), as well as building clean water channels along 2 km for 10,000 people.

2017 Outlook

Indonesian economy in 2017 is expected to recover from the prolonged deceleration. Thirteen packages of economic policy, including deregulation, increase investors’ confidence towards the government which is expected to boost Direct Investment and credit demand growth in the range of 10-12%.

Tax amnesty program improves the government fiscal that pushed the government spending program especially infrastructure development financing.

On the other hand, commodity prices (mainly coal and crude palm oil) are also gradually rising, which will boost Indonesia’s export performance in the upcoming period. In addition, household consumption in Indonesia improved due to the increased purchasing power amid low inflation and relatively stable rupiah.

The short-term challenges include: first, regarding to the possibility of the increase in Fed Funds Rate which may cause the amount of capital outflows from emerging markets, including Indonesia, which will add pressure on Rupiah exchange rates and stock markets.

Second, China economic growth is predicted to keep slowing down for the next couple of years and by being one of Indonesia’s largest trading partners, it will affect Indonesia especially in the export side.

Initiatives in 2017

Bank OCBC NISP will continue to focus on achieving the target in 2017 by considering the external factors development and capabilities. Some of strategic priorities are:

1. Strengthening the Bank’s business model
2. Continuing transformation in various fields to increase productivity and service effectiveness to customers
3. Increasing good capacity and capability in human capital, operational and technology
4. Effectively executing the three lines of defense
5. Strengthening the brand
6. Optimizing synergy with OCBC Group

Appreciation

On behalf of the management, I would like to extend my deepest appreciation to all who have contributed to the success and positive performance of Bank OCBC NISP throughout 2016.

The national economic condition in the upcoming year is still unpredictable, but we are optimistic that by strengthening the current business model, a strong commitment on strategic priorities and harmonious synergies with stakeholders will boost Bank OCBC NISP in order to maintain sustainable growth acceleration.

Sincerely Yours,

Parwati Surjaudaja
President Director
STATEMENT OF THE BOARD OF COMMISSIONERS REGARDING RESPONSIBILITY FOR THE 2016 ANNUAL INTEGRATED REPORT OF PT BANK OCBC NISP TBK

We, the undersigned, hereby declare that all information in the Annual Integrated Report of PT Bank OCBC NISP Tbk for the year 2016 have been presented in their entirety, and that we assume full responsibility for the accuracy of the contents of such Annual Integrated Report.

This statement is duly made in all integrity.

Jakarta, March 8, 2017

BOARD OF COMMISSIONERS

Pramukti Surjaudaja
Chairman

Peter Eko Sutioso
Deputy Chairman
(Independent Commissioner)

Roy Athanas Karaoglan
Independent Commissioner

Samuel Nag Tsien
Commissioner

Jusuf Halim
Independent Commissioner

Lai Teck Poh (Dua Teck Poh)
Commissioner

Kwan Chiew Choi
Independent Commissioner

Hardi Juganda
Commissioner
STATEMENT OF THE BOARD OF DIRECTORS REGARDING RESPONSIBILITY FOR THE 2016 ANNUAL INTEGRATED REPORT OF PT BANK OCBC NISP TBK

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Jakarta, March 8, 2017

BOARD OF DIRECTORS

Parwati Surjaudaja
President Director

Yogadharma Ratnapalasari
Managing Director

Rama Pranata Kusumaputra
Managing Director

Emilya Tjahjadi
Managing Director

Hartati
Managing Director

Martin Widjaja
Managing Director

Andrae Krishnawan W
Managing Director

Johannes Husin
Managing Director

Low Seh Kiat
Managing Director

Joseph Chan Fook Onn
Managing Director