The Bank has committed to improve the business performance both in terms of financial and operational. The Bank’s sturdy fundamental has been proven by obtaining “AAA” rating with “stable” outlook from Fitch Ratings & Pefindo and as one of the Banks with highest credit rating in Indonesia in 2017.
Business Review (G4-8)

Supported by a strong business fundamental in Banking industry as well as qualified human capital and a rapid growth of technology, the Bank constantly provides an integrated products and services as the best financial solution for all customers.

RETAIL BANKING

Retail banking continues its business development focusing on sustainable improvement of current accounts, savings and time deposit as well as the increase of net interest income and fee-based income contribution.

Saving Products

During 2017, Bank OCBC NISP conducted the following initiatives which succeeded to increase total Third Party Funds to Rp113.4 trillion or increased by 10% compared to Rp103.6 trillion in 2016. Those initiatives among others:
- Conducted campaign program of saving and deposit products as the main and flagship product to acquire new customers and carried on loyalty programs i.e. Tanda Poin and Poin Seru.
- Launched Multicurrency Savings (Tanda 360 Plus).
- Launched Tactical Program for Tanda 360 Plus, TAKA, and Deposit.

In the future, the Bank will gradually continue the development of Third Party Fund product growth strategy, among others by:
- Developing capabilities of Third Party Fund product with competitive cost structure as well as a simple and convenient account opening process.
- Developing saving products in parallel with features improvement and innovative products launching.
- Developing e-channel facility to simplify customers’ transactions.
- Running the promotion and communication programs through conventional and digital media.

Consumer Loan (Secured Loans)

Mortgage of Bank OCBC NISP reached 83% of total composition of consumer credit, succeeded to record growth of 7.5% to Rp11.2 trillion at the end of 2017 over the previous year of Rp10.5 trillion.

The 2017 results were achieved through various development strategies of consumer credit, among others:
- Continued the KPR Kendali product (mortgage product) with a competitive interest rate, duration and flexibility to withdraw cash, deposit and transactions across Bank OCBC NISP networks.
- Developed good relations with developers and property brokers by working closely to launch promotion packages.
- Developed collaboration with new developers and property agents.

<table>
<thead>
<tr>
<th>Third Party Fund</th>
<th>Rp billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>103,560</td>
</tr>
<tr>
<td>2017</td>
<td>113,441</td>
</tr>
</tbody>
</table>

Composition of Third Party Fund

<table>
<thead>
<tr>
<th>Percentage (%)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time deposits</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Saving accounts</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Current accounts</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>
In the future, Bank OCBC NISP will drive the growth of consumer credit by:
- Developing a wide variety of products, programs, and services.
- Expanding referral and cross-selling programs with other banking products.
- Developing new channels through collaboration with new developers and property agents.

**Credit Card**

Credit card product focuses on building brand equity through excellent customer service that delivers the best values according to target market. One of which through feature differentiation of existing Titanium, Platinum, and Voyage credit cards. Titanium and Platinum credit cards are targeting emerging affluent segment and Voyage credit cards targeting affluent segment.

**Composition of Consumer Loan**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage (%)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>83%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multipurpose Loan &amp; Auto Loan</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Cards and Others</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Following are a few strategies implemented to increase the credit card transactions during 2017:
- Conducted cross selling to maintain portfolio quality and improve loyalty.
- Opened digital acquisition channel for new customers to improve its portfolios.
- Run tactical program to boost the utilization of credit cards.
- Conducted various programs of dissemination to enhance the use of PIN for transactions.
- Expanded the cooperation with a number of merchants, both domestic and overseas.

Currently, the credit card customers of Bank OCBC NISP may enjoy the facility at more than 1 million merchants which team-up with Visa or Mastercard International as well as acquire a wide array of benefits from Bank OCBC NISP merchants abroad, mainly in Singapore and Malaysia.
These implemented strategies succeeded to boost positive performance of credit card segment in 2017 as shown by total outstanding credit card and transaction volume of Bank OCBC NISP during 2017 which rose by 13% and 20% respectively, as compared to the previous year.

In the future, the credit card segment will constantly promote its business development through the following efforts:
- Continue the cross selling program targeting Bank OCBC NISP customers.
- Acquire new customers by launching credit cards which serve the specific needs of corporate customers.
- Expanding the cooperation with a number of merchants, both domestic and overseas.

**Wealth Management and Premier Banking**

Wealth Management and Premier Banking of Bank OCBC NISP constantly build synergy with highly credible insurance companies and investment managers in order to develop a diverse range of products which meet the customers’ needs.

Throughout 2017, the Bank conducted business development through mutual fund and insurance products. Following are several initiatives which have been executed:
- The launch of mutual fund products such as Batavia Proteksi Cemerlang 68, 76, 81, 89 and 90, Batavia USD Balanced Fund, Ashmore Dana Pasar Uang Nusantara.
- The launch of Bancassurance Live Smart Protector, Legacy Protector, MaxPrestige Heritage and various Riders.
- The launch of Customer Funds Account facility.
- Organized joint event activities with existing premier customers, individual customers and other communities.

Positive performance of Wealth Management and Premier Banking as evidenced by:
- Total assets of customers managed by Wealth Management and Premier Banking of Bank OCBC NISP increased 31%, respectively.
- Total customers of Wealth Management and Premier Banking of Bank OCBC NISP grew as managed fund increased.

In the following year, Wealth Management and Premier Banking will continue the business development strategy that stands on the development of wealth management products such as:
1. Delivering augmented products of mutual fund, bancassurance and feature development to expand alternative choices for the customers.
2. Developing wealth management product through electronic media.
3. Launching various educational programs and customers’ dissemination on the financial planning awareness as well as providing understanding on the risk profile.
4. Carrying out product penetration/cross selling and promoting synergy within internal Bank.

**Private Banking**

The launching of OCBC NISP Private Banking in mid May of 2017 has been an extension of wealth management services, covering customers of high networth business owners, both Small Medium Enterprise sector and big companies.

In 2018, Bank OCBC NISP will ramp up more complete investment products and enhance the capabilities of private bankers as single contact point in order to deliver total solution for the customers’ needs tailored to their risk profiles, among others portfolio and assets allocation services, regular review on customers’ assets and direct access to a reliable independent research.

### Number of Premier Banking Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21,785</td>
</tr>
<tr>
<td>2017</td>
<td>24,305</td>
</tr>
</tbody>
</table>
Our Mutual Growth

Bank OCBC NISP 2017 Annual Integrated Report

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Sharia Business Unit (SBU)

Until the end of 2017, Sharia Business Unit of Bank OCBC NISP demonstrated a decent development as indicated by the growth of financing to Rp2.3 trillion and funding reached Rp2.2 trillion.

The financing is constantly maintained to keep the assets quality healthy as reflected in the Gross Non Performing Financing and Net Non Performing Financing recorded at 1.9% and 1.4%, respectively, way below the indicated requirement.

Total customers grew 66% to around 68 thousand customers at the end of 2017 from the previous year of 41 thousand customers.

Throughout 2017, Sharia Business Unit of Bank OCBC NISP has opened 5 Sharia Services Offices in Jakarta, Bekasi, Bandung and Padang, making Bank OCBC NISP has 10 Sharia Branch Offices and 282 Sharia Services Offices in total.

In the following years, business strategy of Sharia Business Unit of Bank OCBC NISP will remain focusing on:
- Improving low cost funding growth by working on affluent target segment with a focus on emotional market.
- Completing Sharia Specialist at all Sharia Branch Offices and developing a new selling concept by implementing remote sales model.
- Developing wealth management products.
- Continuing IT System development.
Funding Business

Funding Business segment focuses on individual entrepreneur or institutional business customers who do not need and/or have no credit facility.

The strategic focus of the Bank in 2017 was to increase sustainable third party fund through several initiatives as below:
- Increase sustainable CASA growth via Business Smart and Business Signature account with supporting programs.
- Increase acquisition of new customers to reduce concentration risk in third party funds.
- Conduct refreshment of product knowledge and selling skills for frontliners as well as implementing sales process and pipeline monitoring.

The implementation of such strategy succeeded to drive positive performance of Funding Business segment in 2017 as shown by the rise of third party fund of 16%, Current Account by 29% and Time Deposit by 9% compared to previous year.

In the future, the business development strategy which has been implemented in the previous year will be consistently carried on by:
- Develop systematic customer acquisition channel through optimization of branch network and partners.
- Improve sales productivity through a systematic sales activity management.
- Conduct training programs which focused on Product Knowledge and Selling Skills for frontliners.

Emerging Business Banking (EmB)

Emerging Business (EmB) segment constantly focus on strengthening its proven “simple, fast, and convenient” value proposition to serve the needs of Small and Medium Enterprise (SME) customers. EmB is mainly providing working capital and commercial property loans up to Rp25 billion, secured by properties.

Throughout 2017, Bank OCBC NISP continued to focus on improving EmB’s sales productivity by expanding the sales acquisition channels, and optimizing synergies within Retail Banking and Branch networks. In addition, OCBC NISP continued to improve EmB’s credit processes and turnaround time, review our scoring, and strengthen our Risk Management control to ensure our growth is scalable, profitable, and sustainable.

The above strategies have boosted OCBC NISP EmB’s performances, with the following details:
- 20% loans growth Year on Year to Rp15.8 trillion in 2017 from Rp13.2 trillion in 2016.
- 9% third party funds growth Year on Year to Rp1.5 trillion in 2017 from Rp1.4 trillion in 2016.

Bank OCBC NISP continues to develop its strategy in order to promote EmB to be a scalable business segment, among others by:
- Improving method and credit process to identify early warning signs of non-performing loans.
- Sharpening its business focus through in depth analysis of customer risk profile and assist Relationship Manager (RM) emphasized on profitability and a favorable quality of targeted market.
- Optimizing branch networks to improve customer acquisition.
BUSINESS BANKING

Commercial Banking

Commercial Banking segment serves commercial customers with up to Rp500 billion of annual sales. Commercial Banking segment continually focuses on enhancing its capability to understand the customers’ business details in order to deliver the best solutions which meet their business characteristics.

Throughout 2017, the Commercial Banking segment implemented business initiatives in order to maximize service networks all over branch offices, among others:
- Maintained portfolio growth by implementing specific strategy to drive its business growth in accordance with each region’s potentials.
- Offered multi-products to the customers with the support of product team tailored to the customers’ needs.
- Continuously improved the credit process to be a fast and responsive process.

The Commercial Banking segment was able to maintain positive performance amidst the unfavorable economic condition in 2017 as shown by the rise of loan and third party fund to Rp15.3 trillion and Rp5.9 trillion, respectively compared to the previous year of Rp13.7 trillion and Rp5.4 trillion, respectively.

In the future, business development strategy as designated in the previous year will mainly be continued, including continuous effort to acquire new customers by promoting prudent banking principles in the process of credit facility granting.

Enterprise Banking

Enterprise Banking segment serves commercial customers with the annual sales between Rp500 billion and Rp2 trillion. The Enterprise Banking segment focuses on relationship banking by leveraging the knowledge of the industry and understanding the demand and business profile of its customers.

Throughout 2017, Enterprise Banking segment carried out various business initiatives, among others by:
- Optimizing customer relations and improving productivity of each Relationship Manager.
- Developing collaboration opportunities with good prospect industries in order to enhance contribution of Trade Finance Services and Treasury.
- Improving the growth of third party funds, particularly current account.

All of these strategies succeeded to drive positive performance of Enterprise Banking segment as shown by the increase of loan and third party funds to Rp26.7 trillion and Rp7.9 trillion, respectively as compared to the previous year of Rp23.9 trillion and Rp7.2 trillion, respectively.

In the future, business development strategy as designated in the previous year will be mostly carried on, including acquisition of new customers to increase total customers with due observance of prudent banking principle in the process of credit facility granting.

Wholesale Banking

Wholesale Banking segment focuses to be the chosen integrated solution provider for large national and multinational companies in Indonesia. This segment distributes credit for more than 200 corporate customers with annual sales exceeding Rp2 trillion, particularly on potential industrial sectors in Indonesia in accordance with Target Market Risk Acceptance Criteria (TMRAC).

The Wholesale Banking segment constantly improves capabilities to deliver added value solutions, including providing dedicated Relationship Manager Specialist and Product Expert with in-depth comprehension on customers’ business details and their respective industrial sectors in order to identify opportunities that support business growth achievement of corporate customers.

Throughout 2017, the Wholesale Banking segment implemented business initiatives in order to maximize productivity, among others:
- Increased the growth of credit portfolio focused on industry that corresponded with the Target Market.
- Constantly maintained the quality of credit portfolio by keep on promoting the prudence principle in the process of credit facility granting.
- Encouraged the contribution of third-party funds, both from credit customers and non-credit customers.
- Increased the number of customers and new groups to reduce concentration risk in credit portfolio and third-party funds.
- Optimized customer relationship in order to increase the contribution of fee-based income.
The strategy implemented has succeeded to boost positive performance of Wholesale Banking segment in 2017 as shown by the increase in loans and third-party funds to Rp34.4 trillion and Rp37.6 trillion respectively, compared to the previous year of Rp29.2 trillion and Rp34.2 trillion respectively.

Going forward, the business development strategy which has designed in the previous year will remain to be consistently implemented, among others by:

- Growing the credit portfolio focused on industry that corresponded with the targeted market.
- Applying prudence principle in the process of credit facility granting to maintain a proper quality of credit portfolio.
- Driving the growth of third-party funds, either from lending or non-lending customers whilst reducing the concentration risk in both credit portfolio and third party funds by observing the addition of new customers.
- Enhancing contribution of fee-based income by continuously intensifying the transactions of Treasury, Trade Finance Services and Cash Management.

Financial Institutions

Financial Institutions segment actively broaden cooperation with financial institutions such as banks, securities companies, pension funds, insurance companies and other non-bank financial institutions. Supported by extensive networks from OCBC Group and vast cooperation with more than 656 correspondent banks in more than 67 countries, Financial Institutions segment has capability to deliver best services for a wide array of transactions, covering International Trade Finance, Remittance, funds retention from insurance companies, pension fund, and sales of retail bonds.

Throughout 2017, the Financial Institutions segment conducted several initiatives, among others:

- Worked closely with Treasury Group to serve transactions of Money Market, Reverse Repo, sale and purchase of Marketable Securities and Foreign Exchange with Banks and non-bank Financial Institutions selectively in order to boost the growth of fee-based income.
- Improved cooperation with banks in export-import field through discounted export bills in order to increase the funding growth, mainly the low cost fund contribution.
- Synergized with Cash Management and Trade Finance teams to offer the related products in order to increase fee-based income.

In the future, the business development strategy which has designated in the previous year will be carried on consistently, among others by:

- Constantly optimizing OCBC Group network and expanding correspondent bank network to improve customer services.
- Improving credit portfolio in the form of short term and long term working capital loans given selectively to financing and securities companies.

Transaction Banking Group

Transaction Banking Group consists of Trade Finance and Cash Management which focusing on increasing income contribution from financing and export-import services, customers’ cash flow management, as well as increasing the funding of current accounts.

Various initiatives to improve the customer services in Trade Finance area performed in 2017, among others:

- Development of products and services including evaluation of product policy and work procedures tailored to the customers’ business condition and demand.
- Optimization of Trade Counter role in favor of a comprehensive Trade Finance services for the customers.
- Development of Bank Trade System through augmented features in order to improve capabilities and quality of products and services.
In the field of Cash Management, following are the efforts implemented to increase the number of current accounts and income from customers’ cash flow management:
- Ensured cash management solutions are available for customers, in addition to monitoring the use of the service by customers.
- Continued to develop feature, appearances and consistency of customer interaction on the use of Corporate Internet Banking application (Velocity) tailored to the customers’ needs and technological development.
- Developed and/or added features of current accounts to provide superior banking services for customers.

The efforts undertaken by the Trade Finance and Cash Management to boost their performance in 2017, as reflected in:
- Total current accounts of Bank OCBC NISP grew 7% in 2017.
- The number of Velocity and Virtual Account users increased 29% and 32% respectively in 2017 compared to the previous year.

In the following year, both Trade Finance and Cash Management will continue to make breakthroughs in product development and service process in order to keep pace with the customers’ needs development.

In the field of Trade Finance Services, several initiatives will be executed such as:
- Increase volume of trading transactions with a focus on export superior sectors and/or emerging industries.
- Optimize the role of Trade Counter scattered throughout 18 cities in Indonesia to support a comprehensive Trade Finance service of to its customers.
- Improve the information system competence and capability of Trade system through the improvement process and technology-based system development.

Meanwhile, in the field of Cash Management, several initiatives will be carried out in the following year, such as:
- Increase the utilization of Corporate Internet Banking (Velocity).
- Increase the knowledge level of the team on sectors defined as the target market so as to provide the finest specific solutions for certain sectors as well as to team-up with the entire communities in the industrial sector.

**Treasury**

Treasury group focuses on innovative products offered to accommodate a diverse range of customers’ needs by continuously promoting the prudence and transparency principles to the customers. Treasury group also actively encourages collaboration with business segment to provide the finest Treasury services tailored to the customers’ needs of each business segment.

Throughout 2017, the Treasury group made proactive moves in order to increase revenue contribution of Treasury while ensuring the liquidity availability in realizing a sound growth of banking business, among others by:
- Managing liquid assets portfolio actively and dynamically
- Assuring the needs of short-term and long-term financing, among others by issuing Continuous Bond II Phase II and Phase III with total value of Rp3.8 trillion.
- Working closely with Business Segments (Private Banking, Wholesale, Enterprise, Commercial, Emerging and Financial Institution) to increase transaction volume with customers who have necessity of treasury products, including hedging and investment products.
- Providing refreshment training for sales/marketing officers at branch office in order to improve capabilities and knowledge on the Treasury products offered.
- Organizing investor gathering including market outlook held in various cities in Indonesia.

<table>
<thead>
<tr>
<th>Income from Treasury Rp billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016: 1,061</td>
</tr>
<tr>
<td>2017: 1,169</td>
</tr>
</tbody>
</table>
Despite the economic challenges in Indonesia and overseas during 2017, the initiatives undertaken by the Bank have managed to boost positive performance of the Treasury Group by 10%, to Rp1,169 billion from the previous year of Rp1,061 billion.

Going forward, the Treasury group will still continue the business development strategy designated in the previous year, among others by:

- Diversifying medium-term and/or long-term funding through issuance of Bond or NCD or bilateral loan in USD tailored to the market conditions.
- Launching the innovative and/or customized products which provide flexibility in hedging over the risks of foreign currencies and interest rate for customers.
- Promoting a wider and sustainable internal training related to Treasury products and services that have been implemented and planned for future execution, relevant regulations and given risk factors.
- Organizing customer events on a regular basis to strengthen good relationship between Bank OCBC NISP and customers, and providing current information on the global and Indonesian economy which are expected to be useful for the customers.
Supporting Business Overview

HUMAN CAPITAL

The Bank is aware of the qualified Human Capital (HC) as the main asset in maintaining business continuity of the company in the future. The Bank has committed to constantly run the HC management programs continuously, in terms of employee competencies development, industrial relations evaluation as well as policies related to recruitment.

The Bank realizes that Human Capital is the foremost factor to achieve the Bank’s strategic priority to become Indonesian Top Ten Banks. Therefore, the Bank constantly promotes the Human Capital potential by managing the integrated framework of Human Capital and governance process which reflect the values of bank OCBC NISP, namely OCBC NISP One, Professionalism, Integrity, Customer Focus (OnPIC).

The Bank has 4 (four) pillars of Human Capital Framework which shall be the foundation for the Bank to be the best place to work and grow. The four pillars consist of HC Acquisition which is the implementation of effective branding strategy to obtain the right candidates in labor markets. The second pillar is HC Development, a performance management through measurable target and objective work assessment, talent development and trainings tailored to the employee development. The third pillar is HC Retention, considered as the Bank’s effort to maintain talents in order to keep them delivering optimum performance buoyed by competitive reward and benefit system in labor market. The last pillar is HC Engagement whereby the establishment of communication channel between management, employees and various company events which enable employees to be constantly engaged with the Bank along with the business development and growth of the Bank itself. (G4-DMA)
HUMAN CAPITAL ACQUISITION (G4-LA1)

The Bank has established Caring, Progressive and Deliver a Difference as Employer Brand Proposition which becomes key factors that distinguish the Bank from the competitors and put it at the top of mind of job seekers who wish to build their career in the Indonesian banking industry.

The recruitment of the best candidates undergo both external job seekers and internal within the Bank. The Bank provides opportunity for employees who desire career enhancement outside their current job through internal job posting. In order to offer broader career opportunities to all internal employees, the Bank conducted OCBC NISP (ON) Career Fair on Friday, October 13, 2017. At the event, each directorate of the Bank presented their field of works which enabled employees to have question and answer session with the seniors from the Directorate to find out more on possibilities to have career change.

In the meantime, the recruitment of external candidates is focused on 2 (two) channels i.e., pro-hire and fresh graduate. Pro-hire recruitment is conducted through “Staff Get Staff” referral program, social media, and advertisement on job seekers’ websites. Meanwhile, for fresh graduate, the Bank collaborates with notable universities and participates in various job fairs which correspond to the Bank’s needs.

The Bank opens the Graduate Development Program, an acceleration program prepared for fresh graduates to have career in banking. The Bank is committed to develop talented young graduate which aims at unleashing their potentials optimally. The standardized learning platform is designed to support the visible progress without losing focus of the long term objective which is to create professional bankers with high integrity.

Graduate Development Program consists of Banking Academy Program which is specially designed for young graduates who desire to have a specific career in banking industry. The second program is Young Bankers which is designed for young graduates who have interest and potential in general management aside from having specific technical skills.

### Number of New Employees Recruited

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>517</td>
<td>745</td>
<td>1,262</td>
</tr>
<tr>
<td>2017</td>
<td>383</td>
<td>509</td>
<td>892</td>
</tr>
</tbody>
</table>

### New Employee Composition by Age Group and Gender

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>203</td>
<td>424</td>
</tr>
<tr>
<td>26 – 35</td>
<td>278</td>
<td>295</td>
</tr>
<tr>
<td>36 – 45</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>46 - 55</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>&gt; 55</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>745</td>
</tr>
</tbody>
</table>

### New Employee Composition by Region and Gender

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>65</td>
</tr>
<tr>
<td>Region 2</td>
<td>105</td>
<td>137</td>
</tr>
<tr>
<td>Region 3</td>
<td>42</td>
<td>48</td>
</tr>
<tr>
<td>Region 4</td>
<td>89</td>
<td>106</td>
</tr>
<tr>
<td>Region 5</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Region 6</td>
<td>15</td>
<td>34</td>
</tr>
<tr>
<td>Region 7</td>
<td>17</td>
<td>34</td>
</tr>
<tr>
<td>Region 8</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>Region 9</td>
<td>41</td>
<td>75</td>
</tr>
<tr>
<td>Region 10</td>
<td>16</td>
<td>31</td>
</tr>
<tr>
<td>Region 11</td>
<td>36</td>
<td>65</td>
</tr>
<tr>
<td>Region 12</td>
<td>37</td>
<td>54</td>
</tr>
<tr>
<td>No Region *</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>745</td>
</tr>
</tbody>
</table>

*Employees which are excluded the region, such as Learning Center
HUMAN RESOURCES DEVELOPMENT (G4-LA9)

The Bank constantly improves and develops the competencies of its employees through an array of comprehensive training programs. These training programs are given to the employees since their first three months at the Bank through mandatory program including New Employee Orientation Program (NEOP), and then continuing to other trainings such as soft competency, technical competency and leadership. There are also mandatory certification program for employees in certain positions who need special certification to ensure they are equipped to perform their role. In 2017, the training programs were given to 61,620 employees.

Number of Training Participants

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68,663</td>
<td>61,620</td>
</tr>
</tbody>
</table>

Number of Training Participants by Type of Training and Position

<table>
<thead>
<tr>
<th>Type of Training</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior Line</td>
<td>Middle Line</td>
</tr>
<tr>
<td>NEO Program</td>
<td>10</td>
<td>227</td>
</tr>
<tr>
<td>Managerial Leadership</td>
<td>96</td>
<td>981</td>
</tr>
<tr>
<td>Compliance, Risk &amp; Regulatory</td>
<td>769</td>
<td>8,082</td>
</tr>
<tr>
<td>Sales, Services &amp; Quality</td>
<td>6</td>
<td>692</td>
</tr>
<tr>
<td>Technical/Functional</td>
<td>395</td>
<td>4,784</td>
</tr>
<tr>
<td>Others</td>
<td>65</td>
<td>469</td>
</tr>
<tr>
<td>Total</td>
<td>1,341</td>
<td>15,235</td>
</tr>
</tbody>
</table>

Average Training Hours per Year per Employee Based on Employee Designation and Gender Category

<table>
<thead>
<tr>
<th>Designation</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Senior Line Management</td>
<td>33.3</td>
<td>30.7</td>
</tr>
<tr>
<td>Middle Line Management</td>
<td>40.5</td>
<td>37.5</td>
</tr>
<tr>
<td>First Line Management</td>
<td>25.2</td>
<td>29.3</td>
</tr>
<tr>
<td>Rata-Rata</td>
<td>28.1</td>
<td>31.6</td>
</tr>
</tbody>
</table>

The Bank also launched several new programs to support quality and capability development of employees. Those programs are “Local Guest Auditor Program” which started in February 2017 and “Managing Across Generation” training. These programs are deemed necessary as to strengthen Bank’s risk and governance and also to manage various generations within the Bank.

The leaders are provided with leadership trainings such as “Leading as New Manager” which aims to equip leaders to have the competency and behavior as a new leader in The Bank. The Bank also run “Leading for Result” training program that equip leaders in managing team to achieve the expected objective and outcome. Meanwhile, technical competency of employees is continually improved through a technical training related to work such as Treasury Dealer Certification for Treasury, Quality Leaders Green Belt, Internal Capital Adequacy Assessment Process (ICAAP) and Liquidity Masterclass for Risk Management. Each employee is expected to constantly adhere to the roadmap which has been designed for each position in order to conduct an effective, integrated and direct employee development.

In line with technology advancement, the Bank promotes Learning and Knowledge Management online based learning which can effectively reach all employees in Indonesia. Such platform is expected to enable employees to participate in various trainings that meet their interest in an effective and efficient manner. Currently, the compulsory trainings for employees can be accessed through online platforms, among others New Employee Orientation, Cyber Security Awareness, Anti Money Laundering, Fraud Awareness, IT Security Awareness, Code of Conduct, and Collective Labor Agreement. As per December 2017, total e-Learning modules have reached 79 modules and are still growing.
The Bank has a retirement preparation program in which the employees can participate 3 (three) years prior to retirement age. The program consists of seminars covering topics on financial management, health management, post pension activities, business visits and consultations. The Bank also provides 24 additional leave days that can be taken 6 (six) months prior to the retirement age to support the preparation for employees’ retirement.

The Bank implements Total Reward principle of providing competitive remuneration which meets the job value, job responsibilities and employees’ contributions to the Bank. The Bank has also issued remuneration policy which reflect the Financial Services Authority Regulation No. 45/POJK.03/2015 on Implementation of Corporate Governance for Commercial Banks in the Provision of Remunerations and No. 40/SEOJK.03/2016 on Governance in the Provision of Remunerations for Commercial Banks.

The Bank applies performance management system that supports the Bank’s objective and effective implementation of reward system. The effective reward system is expected to provide competitive and equitable remuneration to improve the level of productivity and retention of the employees. The Bank stands on 3 (three) philosophies. The first philosophy is a good performance achieved through a process aligned with the spirit of One PIC. The second philosophy is Meritocracy, an implementation of performance based reward principle, and the third one is Performance Management considered as responsibilities of each employee and line managers as their supervisors.

Each year, the Bank participates in compensation and benefit survey in Indonesia banking industry to ensure that compensation and benefit given by the Bank is aligned with the industry. In addition, the Bank also considers other factors such as macro economy condition, Bank’s capabilities, strategic objective and so forth. While, the benefits provided by the Bank for its employees, among others:

1. Employee Health Program
   Each employee and his/her family members are entitled with health coverage through the appointed health insurance provider whose facilities includes in-patient, out-patient, dental care, maternity benefit, confinement and miscarriage as well as subsidies for glasses and medical checkup. The allowance limit is determined based on job level of the employees with equal amount for each of family members. The Bank applies an equal treatment at providing health allowances for both male and female employees.

2. National Social Security
   Each employee with his/her family members are registered in National Social Security program (Jamsosnas)/BPJS which consist of:
   b. Social Security for Health

3. Pension Fund
   In order to maintain the employee’s welfare in their retirement, the Bank cooperates with insurance company to manage a pension insurance program or DPLK (Pension Funds of Financial Institution) by registering employees as member of DPLK. The contributions are paid jointly by both the employees and the

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Employee Competency Development Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Costs (Billion Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>77</td>
</tr>
<tr>
<td>2017</td>
<td>78</td>
</tr>
</tbody>
</table>

Quarterly Number of Training Days

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>6,219</td>
</tr>
<tr>
<td>Q2</td>
<td>10,724</td>
</tr>
<tr>
<td>Q3</td>
<td>17,078</td>
</tr>
<tr>
<td>Q4</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Compensation and Benefit

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Female to Male Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Line Management</td>
<td>1 : 1</td>
</tr>
<tr>
<td>Middle Line Management</td>
<td>1 : 1</td>
</tr>
<tr>
<td>First Line Management</td>
<td>1 : 1</td>
</tr>
</tbody>
</table>
Bank at a certain percentage. The accumulated pension funds are fully be the right of the employees at the time the employee has resigned from the Bank.

4. Employee Loan
   The Bank provides loan facility to employees. This loan facility aims at offering solution and benefit for employees in order to improve their welfare and work motivation. The employees who meet the requirements are allowed to utilize the loan facilities which consist of Home Ownership Program, Vehicle Loan, Emergency Loan and Personal Loan.

5. Employee Scholarship
   The Bank provides financial support such as scholarship for employees with good performance who are willing to continue their education to the higher level. The scholarship is in line with the Bank’s objective to develop Bank’s talents and continuous improvement on quality and productivity of the Bank’s Human Capital.

6. Flexible Time
   In accordance with the Bank aspiration to create OCBC NISP as the best place to work, the Bank gives the employees flexibility to choose work schedules that suits them while maintaining the professional services internally and externally.

7. Trainings for Retiring Employees
   For the retiring employees, the Bank provides trainings of entrepreneurship which are useful to plan their activities after retirement.

8. Facilities of Communication, Transportation and Accommodation
   The Bank provides communication facility for the employees who meet the Bank's criteria which are given routinely every month and transportation and accommodation for the employees when they are on business trip out of domiciled town. By giving these facilities, it is expected to improve the smoothness of duties and responsibilities carried out by each employee.

9. Additional Leave
   In order to create a work life balance of each employee, the Bank has policy of giving and managing the employees’ leave rights in accordance with the prevailing employment Laws, including additional leave rights at job level and certain working period. By applying this policy, each of employees is expected to use their rights to spend time with family and other errands as well as having proper rest time, enabling them to constantly contribute the best to the Bank.

**EMPLOYEE ENGAGEMENT**

**Employee Engagement Survey**

The Bank conducts employee satisfaction and engagement survey or better known as Employee Engagement Survey (EES) every year. Working closely with external consultant, the Bank enrolls all of its employees at all organizational levels in this survey. Through EES, the Bank gathers feedback on Effective Leadership, Compelling Employer Brand and High Performance Culture. The survey results may serve as the basis to improve Bank performance. In 2017, Bank has conducted number of initiatives such as ON Career Day.

In 2017, the Bank achieved 71% employee engagement score through the survey in which participate rate reached 99.87%.

<table>
<thead>
<tr>
<th>Survey Result</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation (%)</td>
<td>100%</td>
<td>99.9%</td>
</tr>
<tr>
<td>Employee Engagement Index (%)</td>
<td>70%</td>
<td>71%</td>
</tr>
</tbody>
</table>

**Internal Communication**

The Bank optimizes various usages of internal media to deliver information to all employees quickly and accurately. Those internal media include internal magazine i.e. ON Us, e-mail blast, intranet, posters, stickers, and virtual meetings. The information delivered through the aforementioned media included Direct Message from CEO, policies, business targets/achievements, employment information, and corporate activities information. The Bank also conducts periodic Directorate Town Hall and Top Management visit to branch offices in order to provide an opportunity for the employees to have two-way communication.

Related to the employment information, the Bank opens direct access to Human Capital Group through an integrated Information System called ONE People. Through this system, the employees may independently register or verify data, obtain information on benefit and other employment administration process. Moreover, the employees are allowed to access HC Helpdesk as a facility to get information on employment cases from the Human Capital Team. In 2017, number of questions/complaints received by HC Helpdesk reached 11,630 cases, all of which were settled in the same year.

<table>
<thead>
<tr>
<th>Number of Complaints on Employment Practices</th>
<th>Number of Settlements</th>
<th>Ongoing Process of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,630</td>
<td>11,612</td>
<td>18</td>
</tr>
</tbody>
</table>

**Engagement Activities**
The Bank recognizes non formal activities with colleague can increase employees’ engagement with the Bank. Therefore, the Bank established internal communities for employees such as sport community (softball, basketball, badminton and other sports), art community (dance, choir), and social community (breastfeeding mothers community). In terms of social community, the Bank provides lactation room in branch offices and health clinics.

The Bank also conducts internalization activities called Employer Brand Proposition (EBP) Bank OCBC NISP; Caring, Progressive and Deliver a Difference through several initiative programs that support the EBP pillars, among others:

a. International Women’s Day in March 2017
   The event is a momentum to commemorate the role and contribution of women in economy, social, and culture. The activity itself is an internalization of caring pillar which was held by the Bank to celebrate the most inspiring female figures in the employees’ life as well as to provide sharing to women to succeed and to “give back” to their community. The Bank held several activities such as Women@OCBC Murall College Showcase, Empowering Women Talk Show, and Women Bazaar: “From Women to Women”.

b. Children Drawing Competition in June 2017
   The Bank worked closely with Hadiprana Art Center to organize Children Drawing Competition. Through this activity, the children were able to express their creativity by drawing with “Caring” theme for parents, friends, fellow as well as the surrounding, according to one of the Bank’s Employee Branding Proposition pillars. The activity is expected to confirm the Bank’s values as well as providing a different experience for the employees and their families/relatives.

c. ON Career Fair in October 2017
   The Bank held OCBC NISP Career Fair at OCBC NISP Tower. The event was attended by employees of Bank OCBC NISP in Greater Jakarta area and students from selected universities. The ON Career Fair event was held to deliver thorough information on the existing functions at Bank OCBC NISP to employees and as a Bank’s commitment on the employees’ needs in preparation of career development both personal and professional aspects. At the event, each employee had an opportunity to discuss career progression and networking with the leaders from work units at Bank OCBC NISP.

The following is the data of female employees who gave birth and return to work (G4-LA3)

<table>
<thead>
<tr>
<th>Number of employees entitled to apply for maternity leave</th>
<th>Number of employees who took maternity leave</th>
<th>Number of employees who return to work after maternity leave</th>
<th>Rate of employees who return to work</th>
<th>Number of employees who return to work and still working in 2017</th>
<th>Retention Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,187</td>
<td>210</td>
<td>210</td>
<td>100%</td>
<td>202</td>
<td>96%</td>
</tr>
</tbody>
</table>

Mrs. Lelarati Lukman, as the speaker at International Women’s Day at Bank OCBC NISP.

OCBC NISP Career Fair held for the fist time at Bank OCBC NISP in favor of career development of employees.
**PROFILE OF HUMAN CAPITAL (G4-10)**

As of December 31, 2017, the Bank employed 6,477 employees, all of which were covered in Collective Labor Agreement. The ratio of male to female employees was 1.1.4 The ratio indicates equal employment for male and female at the Bank. (G4-11)

### Number of Employees Based on Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>2,871</td>
<td>2,701</td>
</tr>
<tr>
<td>Female</td>
<td>3,925</td>
<td>3,776</td>
</tr>
<tr>
<td>Total</td>
<td>6,796</td>
<td>6,477</td>
</tr>
</tbody>
</table>

### Composition of Employees Based on Organizational Level and Gender

<table>
<thead>
<tr>
<th>Designation</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Senior Line Management</td>
<td>107</td>
<td>82</td>
</tr>
<tr>
<td>Middle Line Management</td>
<td>796</td>
<td>721</td>
</tr>
<tr>
<td>First Line Management</td>
<td>1,968</td>
<td>3,122</td>
</tr>
<tr>
<td>Total</td>
<td>2,871</td>
<td>3,925</td>
</tr>
</tbody>
</table>

### Composition of Employees Based on Educational Level and Gender (G4-LA1)

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Undergraduate, Post Graduate, Doctorate</td>
<td>2,416</td>
<td>3,029</td>
</tr>
<tr>
<td>D1 - D4 Diploma</td>
<td>255</td>
<td>493</td>
</tr>
<tr>
<td>High School</td>
<td>196</td>
<td>402</td>
</tr>
<tr>
<td>Up to Junior High School</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>2,871</td>
<td>3,925</td>
</tr>
</tbody>
</table>

### Composition of Employees Based on Employment Status/Contract and Gender

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Permanent</td>
<td>2,854</td>
<td>3,897</td>
</tr>
<tr>
<td>Contract</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>2,871</td>
<td>3,925</td>
</tr>
</tbody>
</table>

### Composition of Employees Based on Region and Gender

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Region 1</td>
<td>130</td>
<td>239</td>
</tr>
<tr>
<td>Region 2</td>
<td>804</td>
<td>990</td>
</tr>
<tr>
<td>Region 3</td>
<td>133</td>
<td>247</td>
</tr>
<tr>
<td>Region 4</td>
<td>292</td>
<td>416</td>
</tr>
<tr>
<td>Region 5</td>
<td>174</td>
<td>297</td>
</tr>
<tr>
<td>Region 6</td>
<td>203</td>
<td>254</td>
</tr>
<tr>
<td>Region 7</td>
<td>130</td>
<td>220</td>
</tr>
<tr>
<td>Region 8</td>
<td>110</td>
<td>168</td>
</tr>
<tr>
<td>Region 9</td>
<td>184</td>
<td>255</td>
</tr>
<tr>
<td>Region 10</td>
<td>124</td>
<td>200</td>
</tr>
<tr>
<td>Region 11</td>
<td>166</td>
<td>242</td>
</tr>
<tr>
<td>Region 12</td>
<td>140</td>
<td>225</td>
</tr>
<tr>
<td>No Region *</td>
<td>281</td>
<td>172</td>
</tr>
<tr>
<td>Total</td>
<td>2,871</td>
<td>3,925</td>
</tr>
</tbody>
</table>

*Employees which are excluded the region, such as Learning Center
The current banking business development enters the new era called digital era whereby a number of banks compete each other to provide omni channel solutions for the customers. Therefore, the increase of “customer experience” customers constantly becomes the main focus of the Bank coupled with the quality improvement of security from each of services. Both cases became the focus of digital banking transformation executed by Information Technology Division throughout 2017.

With reference to the designated IT Strategic Plan that meets the business needs, the focus of information technology development comprises 3 (three) major projects as follows:

1. Internet Banking, Mobile Banking and One Mobile
   Following the technology innovation commenced in 2016, the IT Division is currently working on development process of more integrated internet banking, mobile banking and One Mobile. The additional features in each channel aims at providing service easiness for the customers to access the Bank’s products at anytime and anywhere. This year, the Bank has prepared and implemented several new service features, among others were:
   - Online and mobile opening account
   - Card less cash withdrawal at ATM
   - Web Statement Transaction

2. Cyber Security
   In terms of system security, the Bank constantly improves the prevention to mitigate risk from cyber-attack threat and stealing classified information (including customers data) through the following actions:
   - Implementing protection against malware, virus and APT (Advance Persistence Threat) on server and workstation/clients of the Bank.
   - Implementation of DDoS protection to cover the web-based transactional application (particularly used directly by the customers).
   - Supervision and 24x7 monitoring to ensure the durability of information technology infrastructure to malware/virus attacks.
   - Preventing the Bank information leakage/embezzlement (DLP-Data Loss Prevention).

3. Implementation of Office 365
   In addition to the focus of customers’ comfort, the easiness of internal operations is also gained special attention in IT development. The implementation of Office 365 which is integrated in email service, video call communication and the Office application usage to replace the old system (open source) which will later be used by all of the Bank’s employees.

   In terms of human capital management, the Bank always ensures the improvement of skills and competencies by providing a series of trainings that meet the work needs of each employee. The Bank continues to provide trainings of Project Management Professional Certification (PMP), Certification of Lead Auditor ISO 27000 and ISO 20000 in order to ensure the capability improvements of each employee in managing business activities related to IT in conjunction with the best practice principles. Moreover, in 2017, IT Division commenced the implementation of Scrum methodology in application development process to substitute the waterfall concept (System Development Life Cycle). Such change is based on a broader business needs of the Bank whereby the needs to deliver product and system become quicker and more complex.

IT Development Plan

In accordance with IT vision and mission to provide full support to business activities of the Bank, the established short term and long term plans will continue to be implemented in the future, encompassing among others:
   - Enhancing the development of digital banking that meets the customers’ needs and automation process to simplify how customers and the Bank conduct banking activities.
   - Integration of services to the customers, particularly through mobile service.
   - Implementation of Digital Rights Management which aims at actively granting limited access and information distribution.
   - Infrastructure development to support the work process of IT Division to be more improved through Mini Production for application testing needs prior to launching in production environment.
Amidst rapid development of digital innovation nowadays, Bank OCBC NISP has committed to constantly provides qualified operational services focused on productivity and process improvement as well as efficiency in all lines.

**2017 Performance**

It is a known fact nowadays that almost all industries in the country possess the technology that forces them to change and transform. Accordingly, Banking becomes one of the industries that is significantly impacted by the digital technology innovation that is growing rapidly at this time, including The Bank that must now compete with other competing Banks. Therefore, The Bank has implemented a series of strategies in dealing with such competition, among others by making use of the available infrastructure, expanding service range, improving the operational effectiveness, and building a more solid partnership with its customers.

In today’s digitalization era, prospective Customers and/or the Bank’s Customers are able to use banking services/activities without having to go to the Bank, and instead use other digital electronic/media platforms that enable prospective Customers and/or Customers to obtain and manage information, communicate, register, open an account, do banking transactions, and even close an account.

In accordance with Transformation 2.0 Creating the Future, the Bank’s Operational team is committed to always improve on their performance in order to give the Bank a competitive advantage, stay relevant in meeting the customers’ needs, and adapt to the latest developments or trends. This is done so that the Operational Team as part of the Bank experiences a sustainable growth so they are able to survive in the coming years. The transformation in the Bank’s Operational Team comes with its set of values, among which are:

1. **Seamless Experience**
   In this digital era, the ultimate focus is not the quantity of Bank branches, but the quality and performance of the Bank as a whole. One of the efforts that the Operational Team has done to realize this is by developing the system and work process in order for the Customers to feel comfortable in using the products and/or services that are then used to manage their financial transactions with The Bank.

2. **Regional Operations Excellence**
   The main principle in achieving operations excellence is maintaining the performance that has been achieved, making continuous improvements, and growing through various innovation processes. Thus, at the end, a work process is achieved that is not only effective and efficient, but also in line with the values of operations excellence. This is deemed to be giving a positive impact in optimizing the capacity of the Bank’s Operational Team so in the future it can be a transactional hub for the business team.

3. **Customer Advisory**
   Through combining the Service Assistant (non-cash) function in processing administrative work with the teller (cash) function while managing financial transactions, then the function of Customer Advisory is expected to not only to play a role in improving its productivity and performance, but also to provide other added values for the Customers. With the banking capability and knowledge that they possess, Customer Advisory is able to intensely and personally approach the Customers as well as obtain information on what they need and expect from the Bank. Moreover, the Customers can use the Bank not just for financial transactions, but also to procure other information and transaction outside of the banking products and services, such as financial advisory, investment, e-Commerce transactions, and other needs.

4. **Anywhere Banking**
   Currently, prospective Customers and/or Customers can get information on the Bank by accessing various media that are provided without having to visit the Bank. One of the solutions that the Bank has given to accommodate such need is by building the Mobile Banking and Internet Banking features. Through e-Banking, the customers’ activities in terms of transactions, payments, and other transactions can be done anytime and anywhere without the limitations of time and distance, simply by accessing the Bank’s official site that has been equipped with a layered security system. Thus, the Customers can feel more comfortable in doing transactions thanks to an easy-to-use application, services that are reachable online and in real time that are affordable, credible, and reliable.

Furthermore, to support the Business Unit in controlling the operational costs, throughout 2017, the Bank’s Operational Team has done the following:

1. **Restructuring the functions in Credit Operations Division and Transaction Banking Operations Division into:**
   a. Loan & Trade Operations A Division, that consists of: Acceptance & Disbursement Hub 1 and Monitoring & Limit.
   b. Loan & Trade Operations B Division, that consists of: Acceptance & Disbursement Hub 2, Acceptance & Disbursement Hub 3, and Appraisal.
The restructuring aims to improve customer focus and operational services, as well as support the coordination and communication between Work Units in the Head Office and regional offices.

2. Consistently reviewing the improvement and simplification of existing work processes to achieve an effective and efficient work process and system.

3. Improving and strengthening the risk control and mitigation process to prevent or suppress operational losses caused by operational process errors or internal fraud risk.

**Productivity and Cost Efficiency Improvement**

In accordance with the Bank's vision and mission, the Operational Team continuously develops their information technology to support the Bank's operational activities and provide transactional ease to all Customers. The development of information technology and the change in customer behavior from traditional banking to digital banking or heading towards cashless society has become a unique challenge for the Bank.

As part of the Bank's commitment to provide quality operational services, in 2017, the Operational Team refocused on the improvement of productivity, process and efficiency in all lines.

In order to bring forth the culture of high performance as a sustainable practice, the Operational Team has created a performance standard that is optimum and periodically monitored. Continuous improvement has been done though cost efficiency program, development and refinement of technology, as well as productivity improvement from the frontliners to the back office that has had an impact on service acceleration and improvements for the customers. The process improvements that the Bank has done, among others, are:

1. **Seamless Account Opening Project**

   As a company in the field of service, the improvement of service quality to keep up with Customers' behavior that is now heading towards digitalization has been an important part of Transformation 2.0 Creating the Future. In this digitalization era, every Customer has an easy access to information and they can quickly compare with competing Banks. The Bank is therefore left with no other choice than to implement the transformation.

   Through the implementation of this project, digitalization was done by simplifying and streamlining the process of opening an account in the Branch Office with a paperless system, whereby the Customer can still undergo the process of opening an account without any hassle (seamless and hassle free). With the availability of a fast and simple process for opening an account, the Customer will then have a pleasant transaction experience that is expected to build a lasting loyalty between the Customer and The Bank.

   Furthermore, this project aims to improve other operational income (Fee Based Income) through the reduction of operational transaction fee, increasing the volume of Customer transaction, and the creation of opportunity for cross selling the Bank's other products or services to the Customers.

2. **Tradefast**

   This project that manages to utilize the process up to Rp256.5 million per year is designed to improve the efficiency of the documentation management process in the Loan & Trade Division through the digitalization process by using paperless processing system, a faster process that is cost-saving and optimizes the Enterprise Content Management (ECM) System. In total, the process improvement that has managed to be done in the operational and technological environment impacts the improvement in productivity, process effectiveness, and cost efficiency, such as:

   - a. 40 projects with cost saving as much as Rp16 billion.
   - b. 293 Process Improvement Teams (PITs) with cost saving as much as Rp2.2 billion.

**The Improvement of Human Resources Quality**

The Bank's Operational Team constantly prioritizes the deliverance of best services to all their Customers. Therefore, the Operational Team has developed and improved upon the quality of its Human Resources (HR) in terms of capabilities and continuous productivity of the employees.

The process improvement that has been done aims to optimize operational activities, both in terms of productivity as well as work quality. This adheres to management on operational costs heading to efficiency and sufficient operational control function. Every employee in the Operational Team must also realize how important it is for them to perform well in their first opportunity.

In accordance with Transformation 2.0, the employees need to have a mindset of change, open-mindedness and developing in a new process in order for the transformation to be implemented as expected. Each employee is actively involved and fully contributed in the transformation that involves work process in their Work Unit.

As a token of appreciation of the Bank for the performance and productivity that the employees have given, the Bank organizes a routine yearly awards events, "OCBC NISP Service Awards (ONSA)". The awards are given to the Bank’s employees both in the Head Office and branch offices for providing the best services to the Customers.
The Operational Team has also done continuous People Management in terms of competence, work quality, and the understanding of partnership culture that is in line with the development of the company’s business so it can accommodate the process needed to reach a level of service that meets and even exceeds the customers’ expectations through:

1. HR competence development is done through employee training and development programs, overseas learning and assignment program, talent development, as integrated programs to support the needs and goals of the business.

2. Educational, Certification, Employee Exchange (Job Attachment) programs as well as periodical rotation in the operational environment in the effort to improve upon employee capabilities, develop their personal, managerial and leadership competences as well as their technical and functional competences.

3. Rewards for employees with continuous high performance to produce quality and competent HR.

4. All the Work Unit Leaders in the Operational Team are consistently equipped with a more effective coaching ability, monitoring, and preparing replacement employee/official. It is also important to improve upon the discipline in problem escalation.

5. Create a conducive work environment in order to improve upon employee productivity.

Awards in the Operational Field in 2017

As proof of the consistent efforts from the Operational Team in providing the best solutions to the Bank's Customers, throughout 2017, the Operational Team has received various awards that include:

- Operational Excellent Award from Wells Fargo.
- Straight Through Processing Award from BNY for 2016 achievements.
- Silver 2016 Euro STP Excellence Award from Deutsche Bank.

2018 Business Plan

Initiatives and business plan from the Operational Team in 2018 are as follows:

1. Conducting automation and system development on the manual process to improve on business services by optimizing available resources.

2. Implementing biometric identification technology as information protection and an easier and simpler financial transaction security standard during Customer verification process in the Branch Office while still referring to applicable regulations.

3. Developing the management and storage of the Bank’s documents/files, both hardcopy and softcopy. The Bank periodically converts their documents in the image scan format, specifically for documents/files relating to the Customers. Thus, the Bank is able to optimize the space that used to be needed for document storage.

4. Improving the employees’ understanding on effective risk management and control, including the ability to search and monitor Customers’ transaction activities that are done through digital devices.

5. Maintaining and improving the relationship as well as providing the best service to the Customers by providing attention or professional approach to improve Customer loyalty.
Financial Review

The Bank successfully recorded a satisfying financial performance throughout 2017 as reflected in the net income of Rp2.2 trillion in 2017 or increased by 21.6% compared to the previous year.

**Indonesian Macroeconomic Overview in 2017**

The overall of Indonesian economic condition in 2017 was better compared to the previous year. The Gross Domestic Product was 5.1% in 2017, higher than in 2016 of 5.0%. The hike of Indonesian economy in 2017 was contributed among others by household consumption and investment performance improvement.

From the side of balance of trade, the export value cumulatively reached USD168.7 billion in 2017 or increased 16.2% y-o-y over 2016. The cumulative import in 2017 also rose by 15.7% y-o-y to reach USD156.9 billion. Meanwhile, the foreign reserves at the end of 2017 increased USD13.8 billion to USD130.2 billion or equal to 8.3 months import and government external debt repayment compared to in 2016 that reached USD116.4 billion, higher than the international reserves adequacy standards of 3 months import.

With this development, the overall balance of trade in 2017 was surplus at USD11.8 billion, better than in 2016 of USD9.5 billion. The improvement of balance of trade in 2017 was driven by the increase of non-oil and gas balance of trade surplus, despite the increase of oil and gas balance of trade deficit. The improvement of non-oil and gas balance of trade performance and the increase of oil and gas balance of trade deficit delivered various impacts on Rupiah currency in 2017. The point-to-point Rupiah weakened by 0.7% in 2017 against 2016.

During 2017, the inflation reached 3.6% or higher than 2016 inflation rate of 3.0%. The inflation rate stood at a range of 2017 inflation target indicated by Bank Indonesia of 4±1%. Based on the inflation rate at the end of the year, Bank Indonesia decided to maintain 7-day reverse repo rate of 4.25% at the end of 2017. While lending facility rate stood at 5.00% at the end of 2017. On the other side, such low rate was able to drive the decline in banking interest rate that led to a gradual drop on savings and loans interest rate.

In 2017, Indonesia managed to maintain “investment grade”, even obtained the improving rating from the international rating agency, Fitch Ratings to BBB with stable outlook, from S&P to BBB- with stable outlook and from Moody’s to Baa3 with positive outlook. Meanwhile, the Jakarta Composite Index increased 20.0% to 6,355 at the end of 2017 from 5,296 in 2016, one of the highest among the world’s main stock exchanges.

<table>
<thead>
<tr>
<th>Description Economic Indicators</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth % y-o-y</td>
<td>%</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Exports USD billion</td>
<td></td>
<td>145.2</td>
<td>168.7</td>
</tr>
<tr>
<td>Imports USD billion</td>
<td></td>
<td>135.6</td>
<td>156.9</td>
</tr>
<tr>
<td>Balance of Trade Surplus USD billion</td>
<td></td>
<td>9.5</td>
<td>11.8</td>
</tr>
<tr>
<td>Foreign Reserves USD billion</td>
<td></td>
<td>116.4</td>
<td>130.2</td>
</tr>
<tr>
<td>Rp/USD (end of period)</td>
<td>Rp</td>
<td>13,472</td>
<td>13,567</td>
</tr>
<tr>
<td>CPI Inflation %</td>
<td></td>
<td>3.0</td>
<td>3.6</td>
</tr>
<tr>
<td>BI Rate (end of year) %</td>
<td></td>
<td>6.00a)</td>
<td>5.00 b)</td>
</tr>
<tr>
<td>BI 7-day Reverse Repo Rate %</td>
<td></td>
<td>4.75</td>
<td>4.25</td>
</tr>
<tr>
<td>Jakarta Composite Index End of year</td>
<td>5,296</td>
<td>6,355</td>
<td></td>
</tr>
</tbody>
</table>

Fitch Rating-Foreign Exchange Long Term

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBB- (Outlook: Positive)</td>
<td>BBB (Outlook: Stable)</td>
</tr>
</tbody>
</table>

Sources: Statistic Indonesia, Bank Indonesia (BI) and Indonesia Stock Exchange

a) Based on auction of SBI 1 year
b) Based on BI lending facility
THE INDONESIAN BANKING INDUSTRY

Business Development of Commercial Banks

The banking system in general still remained stable, followed by a relatively improved intermediary functions to support economic financing.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Rp trillion</td>
<td>4,377</td>
<td>4,738</td>
<td>8.2%</td>
</tr>
<tr>
<td>Deposits</td>
<td>Rp trillion</td>
<td>4,837</td>
<td>5,289</td>
<td>9.4%</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>Rp trillion</td>
<td>343</td>
<td>358</td>
<td>4.5%</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>Rp trillion</td>
<td>250</td>
<td>232</td>
<td>(7.3%)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>Rp trillion</td>
<td>931</td>
<td>949</td>
<td>1.9%</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>Rp trillion</td>
<td>136</td>
<td>165</td>
<td>21.3%</td>
</tr>
<tr>
<td>Net Income</td>
<td>Rp trillion</td>
<td>107</td>
<td>131</td>
<td>23.1%</td>
</tr>
<tr>
<td>Net Interest Margin (NIM)</td>
<td>%</td>
<td>5.6</td>
<td>5.3</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other Operating Income to Operating Income</td>
<td>%</td>
<td>26.8</td>
<td>24.4</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Return on Asset (ROA)</td>
<td>%</td>
<td>2.2</td>
<td>2.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Loan to Deposit Ratio (LDR)</td>
<td>%</td>
<td>90.7</td>
<td>90.0</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Non-Performing Loans (Gross NPL)</td>
<td>%</td>
<td>2.9</td>
<td>2.6</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Capital Adequacy Ratio (CAR)</td>
<td>%</td>
<td>22.9</td>
<td>23.2</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: Indonesia Banking Statistic - Financial Services Authority (FSA)

The Loan-to-Deposit Ratio (LDR) of commercial banks decreased to 90.0% at the end of 2017 from 90.7% in 2016. This was in line with the deceleration loan growth followed by a prudent loan disbursement. Loan disbursement rose by 8.2% y-o-y to Rp4,738 trillion from Rp4,377 trillion in 2016. The banking industry recorded loan composition by usage was mostly dominated by working capital loan with 46.9%, followed by consumer loans with 28.2% and investment loans with 24.9%. The Gross Non Performing Loan (NPL) achieved 2.6% at the end of 2017 and still far below the maximum limit of 5%.

Loan growth in 2017 was driven by strong growth in foreign currencies loans, reaching 8.2% y-o-y, similar to loan growth in Rupiah denomination.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
<th>YOY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>1,203</td>
<td>1,335</td>
<td>132</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>1,125</td>
<td>1,180</td>
<td>55</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Working Capital</td>
<td>2,049</td>
<td>2,223</td>
<td>174</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4,377</td>
<td>4,738</td>
<td>361</td>
<td>8.2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
<th>YOY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupiah</td>
<td>3,737</td>
<td>4,045</td>
<td>308</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Foreign Currencies</td>
<td>640</td>
<td>693</td>
<td>53</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4,377</td>
<td>4,738</td>
<td>361</td>
<td>8.2</td>
<td></td>
</tr>
</tbody>
</table>
Meanwhile, based on sectors, productive sector has relatively equitable growth in 2017.

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>2016</th>
<th>2017</th>
<th>YoY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>935</td>
<td>984</td>
<td>49</td>
<td>5.2</td>
</tr>
<tr>
<td>Manufacture</td>
<td>782</td>
<td>824</td>
<td>42</td>
<td>5.4</td>
</tr>
<tr>
<td>Service</td>
<td>309</td>
<td>345</td>
<td>36</td>
<td>11.8</td>
</tr>
<tr>
<td>Construction</td>
<td>214</td>
<td>259</td>
<td>45</td>
<td>20.6</td>
</tr>
<tr>
<td>Agriculture and Mining</td>
<td>410</td>
<td>431</td>
<td>21</td>
<td>5.1</td>
</tr>
<tr>
<td>Others</td>
<td>1,727</td>
<td>1,895</td>
<td>168</td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td>4,377</td>
<td>4,738</td>
<td>361</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Third Party Funds reached Rp5,289 trillion or increased by 9.4% y-o-y from Rp4,837 trillion in 2016. The composition of low cost funds such as savings and current accounts grew by 9.6% and 9.7% respectively in 2017. The increase in low cost funds indicated the public confidence towards the economic outlook and the resilience of the Indonesian banking sector.

By type of currency, Rupiah-denominated Third Party Funds (TPF) provided a major contribution to total TPF. As of 2017, Rupiah-denominated TPF increased by Rp449 trillion, or increased 11.0% y-o-y, while TPF denominated in foreign currencies increased by Rp3 trillion or increased by 0.4% y-o-y.

Indonesia’s banking industry recorded net income of Rp131 trillion, increased by 23.1% from Rp107 trillion in 2016. By the end of 2017, the profitability performance of banking industry grew limitedly but still showed an optimism, which can be seen from the growth of net interest income throughout 2017 which reached Rp358 trillion, or rose by 4.5% y-o-y, exceeding the growth in 2016 of Rp343 trillion.

Net Interest Margin (NIM) recorded at 5.3% in 2017 from 5.6% in 2016. This was in line with the decrease in national banking interest rate. In 2017, the non-interest income decreased by 7.3% y-o-y.

The banking industry stability was still well-maintained as reflected in high capital adequacy ratio (CAR) of 23.2% at the end of 2017 or higher than 22.9% in 2016 and far above the minimum requirement of 8%.

**REVIEW OF BANK OCBC NISP’S OPERATIONAL PERFORMANCE**

Bank OCBC NISP managed to increase its performance in 2017 with a net income of Rp2.2 trillion or increased by 21.6% from Rp1.8 trillion in 2016. Return on Assets (ROA) and Return on Equity (ROE) of Bank OCBC NISP were 2.0% and 10.7% respectively compared to 1.8% and 9.8% in 2016.
The increase in total assets was primarily driven by the growth of the gross loan to Rp106.3 trillion or grew by 13.9% as compared to 2016. The loan growth was accompanied by the maintained loan quality, as reflected by the Bank’s gross Non-Performing Loans (NPL) of 1.8% from total gross loans. Gross NPL level was relatively lower than the industry average of 2.6% by the end of 2017. The growth of total assets was also supported by the growth of third-party funds that reached Rp113.4 trillion at the end of 2017 or grew by 9.5% compared to the previous year. On the side of the capital, total equity reached Rp21.8 trillion and the Capital Adequacy Ratio (CAR) amounted to 17.5% at the end of 2017.

In addition, Bank OCBC NISP managed to strengthen its position as a healthy and prudent national private bank by maintaining its ‘AAA’ local ratings from Fitch Ratings and Pefindo, becoming one of the highest credit ratings banks in Indonesia for 2017.

The financial performance was continuously followed by the Bank’s efforts to consistently increase the position and capabilities of banking products and transaction services, including network effectiveness of 338 offices, 758 ATMs, 438 thousand EDCs, e-Banking which included internet and mobile banking services, branding, good corporate governance, system, technology and improvement of continuous working processes in order to build maximum and sustainable economic values for all stakeholders.

**BANK OCBC NISP’S FINANCIAL PERFORMANCE**

Bank OCBC NISP recorded net income of Rp2.2 trillion in 2017 or rose by 21.6% from Rp1.8 trillion in 2016, while Bank OCBC NISP’s Return on Assets (ROA) was 2.0% or slightly higher than 1.8% in 2016. Meanwhile, Return on Equity (ROE) was 10.7% in 2017 or higher than 9.8% in 2016.

**Interest Income**

The interest income in 2017 was Rp11.0 trillion, increased by Rp0.8 trillion or 8.2% from Rp10.2 trillion in 2016. The increase was mainly due to higher gross loans by Rp13.0 trillion or 13.9% as compared to 2016. The average interest rate of Rupiah-denominated gross loans was decreased to 10.7% from 11.8% in 2016, whereas the average interest rate for gross loans in foreign currencies denomination remained at 5.3% in 2017. Bank OCBC NISP’s interest income in 2016 and 2017 is described as follows:

### Interest Income

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Δ% Interest Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>8,730</td>
<td>9,214</td>
<td>5.5%</td>
</tr>
<tr>
<td>Marketable securities and Government bonds</td>
<td>1,291</td>
<td>1,570</td>
<td>21.6%</td>
</tr>
<tr>
<td>Current Account and Placement with other banks and Bank Indonesia</td>
<td>176</td>
<td>245</td>
<td>39.2%</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>8</td>
<td>15.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,204</td>
<td>11,037</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

**Interest Expenses**

In 2017, Interest Expenses was which amounted to Rp5.0 trillion, or rose by Rp0.2 trillion compared to interest expense in 2016 of Rp4.8 trillion. Bank OCBC NISP’s interest expenses in 2016 and 2017 are described as follows:
MANAGEMENT DISCUSSION AND ANALYSIS

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Interest Expense</th>
<th>Average Interest Rate</th>
<th>Interest Expense</th>
<th>Average Interest Rate</th>
<th>∆% Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Deposits</td>
<td>3,516</td>
<td>7.5</td>
<td>3,670</td>
<td>6.5</td>
<td>4.4%</td>
</tr>
<tr>
<td>Saving Accounts</td>
<td>331</td>
<td>2.7</td>
<td>301</td>
<td>2.3</td>
<td>(9.0%)</td>
</tr>
<tr>
<td>Current Accounts</td>
<td>242</td>
<td>1.8</td>
<td>368</td>
<td>7.0</td>
<td>(53.3%)</td>
</tr>
<tr>
<td>Marketable Security Issued</td>
<td>339</td>
<td>9.0</td>
<td>309</td>
<td>8.6</td>
<td>(8.7%)</td>
</tr>
<tr>
<td>Subordinated Bonds</td>
<td>101</td>
<td>11.5</td>
<td>50</td>
<td>-</td>
<td>(50.2%)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>51</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>(52.2%)</td>
</tr>
<tr>
<td>Deposits from other Banks</td>
<td>42</td>
<td>4.6</td>
<td>46</td>
<td>4.3</td>
<td>9.8%</td>
</tr>
<tr>
<td>Others</td>
<td>189</td>
<td>-</td>
<td>229</td>
<td>-</td>
<td>20.8%</td>
</tr>
<tr>
<td>Total</td>
<td>4,811</td>
<td></td>
<td>4,998</td>
<td></td>
<td>3.9%</td>
</tr>
</tbody>
</table>

The average interest rate of time deposits in Rupiah denomination declined to 6.5% in 2017 from 7.5% in 2016, while the average interest rate of saving in Rupiah denomination decreased to 2.3% in 2017 from 2.7% in 2016 and the average interest rate of current accounts in Rupiah denomination increased to 2.2% in 2017 as compared to 1.8% in 2016. The average interest rate of time deposits denominated in foreign currencies increased to 1.0% in 2017 from 0.9% in 2016, whereas the average interest rate of saving accounts denominated in foreign currencies was 0.1% in 2017 or similar to in 2016. The average interest rate of current accounts denominated in foreign currencies still remained at 0.7% in 2017, similar to in 2016.

### Composition of Interest Expense

<table>
<thead>
<tr>
<th>Rp billion, except %</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,811</td>
<td>4,998</td>
<td></td>
</tr>
<tr>
<td>85.0%</td>
<td>86.8%</td>
<td></td>
</tr>
<tr>
<td>9.1%</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>5.9%</td>
<td>6.0%</td>
<td></td>
</tr>
</tbody>
</table>

### Net Interest Income

Net interest income increased by Rp646 billion or 12.0% to Rp6.0 trillion in 2017 from Rp5.4 trillion in 2016, mainly driven by the increase in interest income along with the growth in the gross loans. The contribution of net interest income to total income became 80.0% in 2017 from 79.2% in 2016.

Meanwhile the net interest margin stood at 4.5% in 2017, slightly decrease from 4.6% in 2016 due to the increase in net interest income of 12.0%, or slightly higher than the growth of earning assets of 11.9%.

### Other Operating Income

Other operating income in 2017 amounted to Rp1,513 billion, and increased by Rp97 billion or 6.9% from Rp1,416 billion in 2016. The increase was mainly driven by increase in credit related transaction and increase of gain from changes in fair value of financial instruments and sale of financial instruments.
Other Operating Income
Rp billion, except %

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and commissions</td>
<td>14.0%</td>
<td>15.8%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Foreign exchange gain-net</td>
<td>42.3%</td>
<td>57.8%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Gain from changes in fair value of financial instruments and sale of financial instruments</td>
<td>43.7%</td>
<td>57.8%</td>
<td>32.5%</td>
</tr>
</tbody>
</table>

2016 1,416 2017 1,513

Allowance for Impairment Losses on Financial Assets and Others

The Bank’s allowance for impairment losses on financial assets and others in 2016 and 2017 are described as follows:

(In billion Rp, except %)

<table>
<thead>
<tr>
<th>Allowance/(Reversal) for Impairment Losses on Financial Assets and Others</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities</td>
<td>3</td>
<td>13</td>
<td>328.3%</td>
</tr>
<tr>
<td>Loans</td>
<td>1,370</td>
<td>1,279</td>
<td>(6.6%)</td>
</tr>
<tr>
<td>Acceptance receivable</td>
<td>9</td>
<td>20</td>
<td>121.2%</td>
</tr>
<tr>
<td>Other assets - Letter of Credit transaction receivables</td>
<td>(65)</td>
<td>(1)</td>
<td>(98.9%)</td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>(1)</td>
<td>-</td>
<td>(100%)</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,316</td>
<td>1,311</td>
<td>(0.3%)</td>
</tr>
</tbody>
</table>

Allowance for Impairment losses on financial assets and others decreased by Rp5 billion or 0.3% to Rp1,311 billion in 2017, compared to Rp1,316 billion in 2016, driven by a decrease in general reserves in 2017 which in line with the loans quality improvement.

(In billion Rp, except %)

<table>
<thead>
<tr>
<th>Allowance for Impairment Losses on Financial Assets (Excluded Allowance for Impairment Losses - Others)</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>1,370</td>
<td>1,279</td>
<td>(6.6%)</td>
</tr>
<tr>
<td>Non Loan</td>
<td>(54)</td>
<td>32</td>
<td>160.4%</td>
</tr>
<tr>
<td>Total</td>
<td>1,316</td>
<td>1,311</td>
<td>(0.3%)</td>
</tr>
</tbody>
</table>

Other Operating Expenses

Bank OCBC NISP’s other operating expenses in 2016 and 2017 are described as follows:

(In billion Rp, except %)

<table>
<thead>
<tr>
<th>Other Operating Expenses</th>
<th>2016</th>
<th>2017</th>
<th>Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>1,906</td>
<td>2,071</td>
<td>8.6%</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>1,096</td>
<td>1,137</td>
<td>3.8%</td>
</tr>
<tr>
<td>Others</td>
<td>149</td>
<td>155</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total</td>
<td>3,151</td>
<td>3,363</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

Other operating expenses in 2017 amounted to Rp3.4 trillion, increased by Rp212 billion or 6.7% from Rp3.2 trillion in 2016, due to the increasing salaries and allowance worth Rp165 billion, as well as general and administrative expenses of Rp41 billion.

The increase in salaries and allowances were mainly contributed by the adjustment of employee salaries and allowances in 2017. Meanwhile, the increase in general and administrative expense was mainly contributed by the rise of maintenance, repair and transportation of Rp19 billion, security and outsourcing of Rp15 billion and rental expense of Rp13 billion.

Cost to income ratio declined to 44.5% in 2017 compared to 46.3% in 2016. The decline or the improvement of this ratio was due to the growth of other operating expenses at 6.7% in 2017, lower than the growth of total operating income by 10.9%.

Income Before Tax

Income before tax reached Rp2.9 trillion in 2017, rose by Rp0.5 trillion or 22.4% compared to 2016 amounted to Rp2.4 trillion due to a 12.0% increase in net interest income and 6.9% in other operating income, which was offset by the increase of other operating expenses by 6.7% as well as allowance for impairment losses on financial assets which dropped by 0.3%. The 22.4% growth in income before tax and 11.3% growth in assets resulted higher ROA of 2.6% in 2017 than 1.8% in 2016.
**Return on Assets (ROA)**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROA %</th>
<th>Income Before Tax (Rp billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.8%</td>
<td>2,351</td>
</tr>
<tr>
<td>2017</td>
<td>2.0%</td>
<td>2,878</td>
</tr>
</tbody>
</table>

**Net Income**

In 2017, Bank OCBC NISP recorded net income of Rp2.2 trillion, and increased by Rp0.4 trillion or 21.6% as compared to Rp1.8 trillion in 2016.

The increase in net income by 21.6% was followed by the increase in equity by 11.7%, resulting to a higher ROE to 10.7% in 2017 compared to 9.8% in 2016.

**Comprehensive Income Statement**

Bank OCBC NISP’s comprehensive income mainly derived from financial assets available for sale which consist of non-derivative financial assets that are designated to be held for a certain period and will be sold in terms of the Bank's liquidity needs or changes in the interest rates, exchange rates, or those which are not classified as:
- Loans and receivables
- Financial assets classified as held to-maturity.
- Financial assets calculated at fair value through the comprehensive profit/loss statements.

Comprehensive income statements as of December 31, 2016 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>1,790</td>
<td>2,176</td>
</tr>
<tr>
<td>Other Comprehensive Income/(Expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for Sale Financial Assets</td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td>- Gain for the Year</td>
<td>45</td>
<td>111</td>
</tr>
<tr>
<td>- Fair value changes transferred to profit or loss</td>
<td>(12)</td>
<td>(40)</td>
</tr>
<tr>
<td>Related Income Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation surplus of fixed asset</td>
<td>1,258</td>
<td>-</td>
</tr>
<tr>
<td>Re-measurements from post-employment benefit obligation</td>
<td>13</td>
<td>(24)</td>
</tr>
<tr>
<td>Related Income Tax</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Comprehensive Income for the Year, After Tax</td>
<td>1,305</td>
<td>102</td>
</tr>
<tr>
<td>Total Comprehensive Income for the Year, After Tax</td>
<td>3,095</td>
<td>2,278</td>
</tr>
</tbody>
</table>

In 2017, Bank OCBC NISP recorded other comprehensive income after tax amounting to Rp102 billion due to the fair value changes transferred to profit or loss of Rp111 billion.

In 2016, Bank OCBC NISP recorded other net comprehensive income, net of tax amounting to Rp1,305 billion, which was primarily generated by items that will be reclassified subsequently to profit or loss which was evaluation surplus of fixed asset amounted to Rp1,258 billion.

**BANK OCBC NISP’S FINANCIAL POSITION**

Bank OCBC NISP recorded total assets of Rp153.8 trillion or grew by 11.3% from Rp138.2 trillion in 2016. This achievement ultimately placed Bank OCBC NISP as the 9th largest national bank in terms of total assets with a market share of around 2.1% in 2017. Total assets growth was mainly contributed by 13.9% growth of total gross loans in 2017, which was also supported by the growth of third-party funds of 9.5%. In 2017, Bank OCBC NISP also diversified funding to support lending activities, among others, by issuing marketable securities with total value of Rp6.1 trillion, an increase compared to Rp3.9 trillion in 2016.

Bank OCBC NISP optimally sustained its intermediary function as indicated by Loan to Deposit Ratio – LDR of 93.4% at the end of 2017 compared to 89.9% at the end of 2016.
Assets

Total assets as of December 31, 2017 was Rp153.8 trillion, increased by Rp15.6 trillion or 11.3% over the year 2016 amounting to Rp138.2 trillion, driven by loan growth – net amounted to Rp11.9 trillion, government bonds of Rp2.1 trillion and placement with other Banks and Bank Indonesia amounting to Rp1.4 trillion which were compensated mainly by a decline in marketable securities – net amounted to Rp2.0 trillion. The following table provides details of the Company’s total assets as of December 31, 2016 and 2017:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>882</td>
<td>990</td>
</tr>
<tr>
<td>Current accounts with Bank Indonesia</td>
<td>8,018</td>
<td>8,906</td>
</tr>
<tr>
<td>Current accounts with other banks</td>
<td>485</td>
<td>699</td>
</tr>
<tr>
<td>Placements with other banks and Bank Indonesia</td>
<td>3,442</td>
<td>4,836</td>
</tr>
<tr>
<td>Marketable securities – net</td>
<td>14,347</td>
<td>12,371</td>
</tr>
<tr>
<td>Government Bonds</td>
<td>12,373</td>
<td>14,441</td>
</tr>
<tr>
<td>Derivative receivables</td>
<td>352</td>
<td>291</td>
</tr>
<tr>
<td>Loans – net</td>
<td>90,248</td>
<td>102,190</td>
</tr>
<tr>
<td>Acceptance receivables – net</td>
<td>3,486</td>
<td>3,998</td>
</tr>
<tr>
<td>Prepayments</td>
<td>418</td>
<td>396</td>
</tr>
<tr>
<td>Fixed assets - book value</td>
<td>2,414</td>
<td>2,447</td>
</tr>
<tr>
<td>Other assets – net</td>
<td>1,361</td>
<td>1,651</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>370</td>
<td>558</td>
</tr>
<tr>
<td>Total</td>
<td>138,196</td>
<td>153,774</td>
</tr>
</tbody>
</table>

Loans

As of December 31, 2017, total gross loans amounted to Rp106.3 trillion, increased by 13.9% compared to Rp93.4 trillion as of December 31, 2016 which was driven by business development initiatives undertaken by Bank OCBC NISP and also continuous improvements of the Bank’s internal processes. Loans granting based on collectability as of December 31, 2016 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Loans</td>
<td>Allowance for Impairment Losses</td>
</tr>
<tr>
<td>Pass</td>
<td>90,338</td>
<td>1,943</td>
</tr>
<tr>
<td>Special Mention</td>
<td>1,276</td>
<td>141</td>
</tr>
<tr>
<td>Substandard</td>
<td>272</td>
<td>171</td>
</tr>
<tr>
<td>Doubtful</td>
<td>193</td>
<td>96</td>
</tr>
<tr>
<td>Loss</td>
<td>1,284</td>
<td>764</td>
</tr>
<tr>
<td>Total</td>
<td>93,363</td>
<td>3,115</td>
</tr>
</tbody>
</table>

Gross Loans Composition Denominated in Rupiah and Foreign Currencies

The composition of total gross loans in Rupiah and foreign currencies denominations represented 73.7% and 26.3% of total gross loans at the end of 2017, respectively. The Rupiah denominated gross loans amounted to Rp78.4 trillion at the end of 2017, up by 13.4% as compared to previous year. The gross loans in foreign currencies denomination had equivalent value of Rp27.9 trillion at the end of 2017, rose by 15.4% from the previous year.

In terms of loan quality, the gross NPL denominated in Rupiah was 2.3% in 2017 and 2.2% in 2016, whereas gross NPL in foreign currencies were 0.4% and 0.9% in 2017 and 2016, respectively. The composition of gross NPL in Rupiah and foreign currencies denomination were 94.5% and 5.5% respectively of the total gross NPL at the end of 2017.

In terms of regional distribution, the largest loans contribution was derived from Java and Bali areas, with 87.2% of total gross loans or amounting to Rp92.7 trillion, increased by 15.7% from 2016. Sumatera contributed 9.5% of total gross loans or amounting to Rp10.1 trillion, an increase by 4.4% over the previous year. Followed by Kalimantan with the contribution of 1.6% at the end of 2017 or amounting to Rp1.8 trillion, an increase of 2.4% over the previous year, as well as Sulawesi and other regions with contribution of 1.7% or Rp1.8 trillion, decreased by 2.4% from 2016.
Based on business segments classification, the largest contribution was derived from the commercial segment, followed by the corporate and consumer segments (including employee loan) amounting to Rp57.8 trillion, Rp34.3 trillion and Rp14.2 trillion or equivalent to 54.3%, 32.3% and 13.4% respectively at the end of 2017.

Based on type of usage, working capital loans provided the largest contribution of 44.8% of total gross loans at the end of 2017 or amounted to Rp47.6 trillion, grew by 11.8% from the position on December 31, 2016. Investment loans contributed by 41.9% of total gross loans or amounting to Rp44.5 trillion, rose by 18.9% from the previous year. While consumer loans with 83% of its composition were dominated by mortgage (KPR), contributed as much as 13.3% of the total gross loans or Rp14.2 trillion at the end of 2017, increased by 6.6% over the end of 2016.

In terms of gross NPL based on type of usage, the largest contribution was derived from working capital loans, investment loans and consumer loans with the amount of Rp1,072 billion, Rp586 billion and Rp241 billion respectively, or 2.3%, 1.3%, and 1.7% of total its respective loans by usage at the end of 2017.

In terms of loans distribution by economic sectors, the manufacturing sector became the largest contributor at 26.6% of total loans gross at the end of 2017 or amounted to Rp28.3 trillion, followed by the trade and services sectors with their respective contribution of 25.7% and 17.6% of total gross loans at the end of 2017 or amounted to Rp27.4 trillion and Rp18.7 trillion. Meanwhile,
a combination of the construction, agriculture, mining and other sectors contributed 30.1% of total gross loans at the end of 2017 or Rp31.9 trillion.

For gross NPL which was based on economic sectors, the trade sector contributed the largest portion with Rp1,024 billion or 53.9% of total NPL in 2017, followed by manufacture and service sectors with contribution of Rp329 billion and Rp265 billion or 17.3% and 14.0% of total NPL in 2017, respectively. Meanwhile, the combination of construction, agriculture, mining and other sectors contributed Rp281 billion or 14.8% of the total NPL at the end of 2017.

Bank OCBC NISP maintained its assets quality, as reflected by the gross NPL which declined from 1.9% at the end of 2016 to 1.8% of total gross loans or Rp1.9 trillion at the end of 2017 and lower than the industry average of about 2.6% at the end of 2017.

At the end of 2017, the Bank’s net NPL was recorded at 0.7%, which was still far below the benchmark set by Bank Indonesia of 5.0%.

Bank OCBC NISP has allocated adequate allowance for loan losses to cover possible losses from non-performing loans, as reflected in the ratio of loan losses allowance to NPL at 219.0% at the end of 2017, which increased over 178.1% at the end of 2016 due to the increase in loan loss provisioning in line with loans growth.
The allowance for loan losses on December 31, 2017 stood at Rp4.2 trillion, rose 33.5% from Rp3.1 trillion as of December 31, 2016. The increase was driven by the general provision formed to correspond with overall loans expansion in 2017 and the addition of specific provision for NPL, so that Bank OCBC NISP may continue maintaining the adequacy of loan losses allowance.

**Placement with other banks and Bank of Indonesia**

Total placement with other banks and Bank of Indonesia on December 31, 2017 was amounted to Rp4.8 trillion, rose by 40.5% from Rp3.4 trillion at the end of 2016, as the Bank placed excess liquidity in the form of Bank Indonesia Time Deposit in 2017. Placement at other banks and Bank of Indonesia were dominated by Rupiah denomination by 95.6% of total placements at the end of 2017.

** Marketable Securities**

Based on classification, the gross marketable securities comprised of securities for trading and available for sale, as well as loans and receivables were respectively in the amounts of Rp1,372 billion, Rp10,860 billion and Rp158 billion or 11.1%, 87.6% and 1.3% at the end of 2017.

At the end of 2017, the total gross marketable securities (including Certificates of Bank Indonesia (SBI), Certificates Deposits of Bank Indonesia and corporate bonds) were Rp12.4 trillion, increased by Rp2.0 trillion or 17.7% compared to 2016, primarily due to a decrease in SBI under category of available for sale in Rupiah of Rp6.0 trillion.
Based on Type

<table>
<thead>
<tr>
<th></th>
<th>Rupiah</th>
<th>Foreign Currencies</th>
<th>Total</th>
<th>% of Total</th>
<th>Rupiah</th>
<th>Foreign Currencies</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading</td>
<td>882</td>
<td>282</td>
<td>1,164</td>
<td>9.4%</td>
<td>1,077</td>
<td>1,439</td>
<td>2,516</td>
<td>17.4%</td>
</tr>
<tr>
<td>Available for Sale</td>
<td>8,225</td>
<td>2,984</td>
<td>11,209</td>
<td>90.6%</td>
<td>9,811</td>
<td>2,114</td>
<td>11,925</td>
<td>82.6%</td>
</tr>
<tr>
<td>Total</td>
<td>9,107</td>
<td>3,266</td>
<td>12,373</td>
<td>100.0%</td>
<td>10,888</td>
<td>3,553</td>
<td>14,441</td>
<td>100.0%</td>
</tr>
<tr>
<td>Composition %</td>
<td>73.6%</td>
<td>26.4%</td>
<td>100.0%</td>
<td></td>
<td>75.4%</td>
<td>24.6%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Fixed Assets

The fixed assets accounted for 1.6% of total assets in 2017, lower than 2016 which amounted to 1.7%. Fixed assets increased by 1.3% from Rp2,414 billion on December 31, 2016 to Rp2,447 billion on December 31, 2017. The increase was derived from land and buildings amounting to Rp53 billion.

Liabilities

Assets growth was supported by an increase of total liabilities as much as Rp13.3 trillion or increased by 11.2% to Rp132.0 trillion at the end of 2017 from Rp118.7 trillion in 2016. The increase was mainly driven by the growth of third-party deposits of Rp9.9 trillion, deposits from other banks of Rp2.3 trillion and marketable securities issued of Rp2.2 trillion which were compensated among others by a decline in securities sold under repurchase agreements of Rp1.3 trillion and subordinated bonds of Rp0.9 trillion. The following table provides details of the total liabilities as of December 31, 2016 and 2017:

### Liabilities

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligation due immediately</td>
<td>444</td>
<td>0.4%</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>103,560</td>
<td>87.2%</td>
</tr>
<tr>
<td>Deposits from other banks</td>
<td>2,507</td>
<td>2.1%</td>
</tr>
<tr>
<td>Derivative payables</td>
<td>304</td>
<td>0.3%</td>
</tr>
<tr>
<td>Acceptance payables</td>
<td>3,514</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tax Payables</td>
<td>185</td>
<td>0.2%</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>393</td>
<td>0.3%</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>1,346</td>
<td>1.1%</td>
</tr>
<tr>
<td>Marketable securities issued</td>
<td>3,899</td>
<td>3.3%</td>
</tr>
<tr>
<td>Employee benefits obligation</td>
<td>657</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,002</td>
<td>0.8%</td>
</tr>
<tr>
<td>Subordinated bonds</td>
<td>879</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>118,690</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### Third Party Funds

The third party funds at the end of 2017 reached Rp113.4 trillion, increased by 9.5% compared to Rp103.6 trillion in 2016. The third-party funds consist of current accounts, saving accounts and time deposits which covered 23.0%, 15.5% and 61.5% of total third party funds respectively at the end of 2017.

**Composition of Third Party Fund**

<table>
<thead>
<tr>
<th>Composition of Third Party Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp billion, except %</td>
</tr>
<tr>
<td>39.4%</td>
</tr>
<tr>
<td>38.5%</td>
</tr>
<tr>
<td>103,560</td>
</tr>
<tr>
<td>113,441</td>
</tr>
<tr>
<td>60.6%</td>
</tr>
<tr>
<td>61.5%</td>
</tr>
<tr>
<td>15.7%</td>
</tr>
<tr>
<td>15.5%</td>
</tr>
<tr>
<td>23.7%</td>
</tr>
<tr>
<td>23.0%</td>
</tr>
</tbody>
</table>

An increase in time deposit of Rp7.0 trillion or 11.1% to Rp69.7 trillion at the end of 2017, also accompanied by the growth in saving accounts of Rp1.3 trillion or grew by 7.9% to Rp17.6 trillion at the end of 2017 as compared to the end of 2016. The amount of current accounts also increased by Rp1.6 trillion or 6.6% to Rp26.1 trillion at the end of 2017 compared to the previous year. In 2017, the faster increase in time deposits, resulted a lower composition of current account and saving account ratio of 38.5% at the end of 2017 as compared to 39.4% at the end of 2016.
The composition of third-party funds in Rupiah and foreign currencies denominations were 72.9% and 27.1% at the end of 2017, respectively. Third party funds in Rupiah amounted to Rp82.7 trillion at the end of 2017 or increased by 18.5% from 2016. Third party funds in foreign currencies denomination had equivalent total of Rp30.7 trillion or decreased by 9.1% compared to 2016.

Based on the regional distribution, the largest contribution was derived from Java and Bali which was 88.0% of total third party funds in 2017 or Rp99.7 trillion, an increase of 9.7% from the end of 2016. Meanwhile, Sumatera provided a contribution of 9.4% to total third party funds or the amount of Rp10.7 trillion, an increase of 11.3% from the end of 2016. Kalimantan accounted for 1.6% of total third party funds at the end of 2017 or Rp1.8 trillion, fell by 3.2% from the end of 2016, whereas Sulawesi and other regions contributed 1.0% or Rp1.2 trillion, grew by 1.8% from the end of 2016.

**Composition of Third Party Funds Based on Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 (%)</th>
<th>2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Java &amp; Bali</td>
<td>88.0%</td>
<td>99.7%</td>
</tr>
<tr>
<td>Sumatera</td>
<td>9.4%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>1.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Sulawesi and others</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Composition of Third Party Funds Denominated in Rupiah and Foreign Currencies**

<table>
<thead>
<tr>
<th>Denomination</th>
<th>2016 (%)</th>
<th>2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupiah</td>
<td>67.4%</td>
<td>72.9%</td>
</tr>
<tr>
<td>Foreign Currencies</td>
<td>32.6%</td>
<td>27.1%</td>
</tr>
</tbody>
</table>

**Deposits from Other Banks**

Deposits from other banks on December 31, 2017 amounted to Rp5.0 trillion, an increase of Rp2.5 trillion, or 98.6% compared to the end of 2016 which amounted to Rp2.5 trillion. The largest contribution was derived from the interbank call money which rose by Rp2.2 trillion, or 93.8% from Rp2.4 trillion in 2016 to Rp4.6 trillion in 2017. Details on deposits from other banks as of December 31, 2016 and 2017 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and Saving Accounts</td>
<td>96</td>
<td>176</td>
</tr>
<tr>
<td>Inter - Bank Call Money</td>
<td>2,378</td>
<td>4,610</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>33</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>2,507</td>
<td>4,978</td>
</tr>
</tbody>
</table>

**Securities Sold Under Repurchase Agreements**

There was no securities sold under repurchase agreements on December 31, 2017, meanwhile at the end of 2016, the securities sold under repurchase agreements amounted to Rp1.3 trillion.

** Marketable Securities Issued**

Bank OCBC NISP diversified its funding through marketable securities issued. By the end of 2017, the total marketable securities issued, after deduction of unamortized issuance cost, amounted to Rp6.1 trillion, higher than the total of Rp3.9 trillion at end of 2016. The increase was due to the issuance of Continuous Bonds II Bank OCBC NISP Phase II and III Year 2017 amounted to Rp3.8 trillion in 2017 which was compensated by the settlement of Continuous Bonds I Bank OCBC NISP Phase II Year 2015 Series B amounted to Rp670 billion and Continuous Bonds II Bank OCBC NISP Phase I Year 2016 Series A amounted to Rp837 billion, whereas the settlement of the issued securities was met the maturity date stated in each prospectus of the issued securities.

**Subordinated Bonds**

On June 30, 2017, Bank OCBC NISP has settled the Subordinated Bonds III Year 2010 amounted to Rp880 billion.

**Equity**

Total equity as of December 31, 2017 reached Rp21.8 trillion, increased by Rp2.3 trillion or 11.7% compared to Rp19.5 trillion as of December 31, 2016. The equity increase was mainly contributed by net income growth of Rp2.2 trillion in 2017. The following are details of Bank OCBC NISP’s total equity as of December 31, 2016 and 2017:
Our Mutual Growth

Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid capital</td>
<td>1,434</td>
<td>1,434</td>
</tr>
<tr>
<td>Additional paid-in capital/agio</td>
<td>6,829</td>
<td>6,829</td>
</tr>
<tr>
<td>Unrealized loss from decrease in fair value of available for sale marketable</td>
<td>(26)</td>
<td>94</td>
</tr>
<tr>
<td>securities and Government bonds net of deferred tax</td>
<td>(0.1%)</td>
<td>0.4%</td>
</tr>
<tr>
<td>Revaluation surplus of fixed asset</td>
<td>1,258</td>
<td>1,258</td>
</tr>
<tr>
<td>Retained earnings - Appropriated</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Retained earnings - Unappropriated</td>
<td>10,009</td>
<td>12,167</td>
</tr>
<tr>
<td>Total</td>
<td>19,506</td>
<td>21,784</td>
</tr>
</tbody>
</table>

Cash Flows

Statements of cash flows are prepared using the direct method by classifying cash flows into operating, investing and financing activities. The table below shows historical data on Bank OCBC NISP’s cash flows in 2016 and 2017:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Flows (Used in)/Provided from Operating Activities</td>
<td>10,887</td>
<td>(340)</td>
</tr>
<tr>
<td>Net Cash Flows (Used in)/Provided from Investing Activities</td>
<td>(14,655)</td>
<td>2,099</td>
</tr>
<tr>
<td>Net Cash Flows (Used in)/Provided from Financing Activities</td>
<td>(4,257)</td>
<td>1,364</td>
</tr>
</tbody>
</table>

Net Cash Flows Used in Operating Activities

Net cash flows used in operating activities in 2017 amounted to Rp340 billion, while the net cash provided from operating activities in 2016 was Rp10.9 trillion, mainly due to the increase in loans growth of of Rp5.5 trillion, meanwhile the loans growth in 2016 stood at Rp7.5 trillion, lower than the loans growth in 2017 of Rp13.0 trillion.

Net Cash Flows Provided from Investing Activities

Net Cash Flows provided from Investing Activities in 2017 amounted to Rp2.1 trillion or increased 114.3% compared to the net cash used in investing activities of Rp1.7 trillion in 2016. The increase was mainly due to the selling activities of marketable securities and government bonds available for sale of Rp15.9 trillion or higher than the purchase activities of marketable securities and government bonds available for sale of Rp13.6 trillion in 2017, which led to a difference of the increase in net cash flow provided from investing activities of Rp2.3 trillion.

Meanwhile in 2016, the purchase activities of marketable securities and Government Bonds available for sale amounted to Rp20.2 trillion or higher than the selling activities of marketable securities and Government bonds available for sale of Rp5.8 trillion, that led to a difference of increase in net cash flow used in investing activities of Rp14.4 trillion.

Net Cash Flows Provided from Financing Activities

Net Cash provided from financing activities amounted to Rp1.4 trillion in 2017 or changed by 132.0% compared to the net cash used in financing activities in 2016 of Rp4.3 trillion. The change was mainly due to the repayment of Continuous Bonds II Phase I Year 2016 Series A of Rp837 billion, repayment of Continuous Bonds I Phase II Year 2015 Series B of Rp670 billion and repayment of Subordinated Bonds III Year 2010 of Rp880 billion which were compensated by the issuance of Continuous Bonds II Phase II and Phase III Year 2017 of Rp3.8 trillion, which led to a difference of net cash provided from financing activities of Rp1.4 trillion.

Other Important Information

Capital Structure

The composition of Bank OCBC NISP’s stock ownership as of December 31, 2016 and 2017 are as follows:
The following details of Bank OCBC NISP’s equity on December 31, 2016 and 2017 are:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid capital</td>
<td>1,434</td>
<td>1,434</td>
</tr>
<tr>
<td>Additional paid-in capital/agio</td>
<td>6,829</td>
<td>6,829</td>
</tr>
<tr>
<td>Unrealized loss from decrease in fair value of available for sale marketable securities and government bonds net of deferred tax</td>
<td>(26)</td>
<td>94</td>
</tr>
<tr>
<td>Revaluation surplus of fixed assets</td>
<td>1,258</td>
<td>1,258</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>10,011</td>
<td>12,169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,506</strong></td>
<td><strong>21,784</strong></td>
</tr>
</tbody>
</table>

### Capital Components

Bank OCBC NISP continuously analyzes the adequacy of capital ratio by using the capital ratio required by the regulator for monitoring capital. The measurement of capital ratio, or called as Capital Adequacy Ratio (CAR), shows that Bank OCBC NISP maintains capital position at a significantly higher level compared to the minimum capital requirement based on risk profile set by regulator of 8.00% in 2017 and 9.65% in 2016.

The Bank’s capital management aims at maintaining strong capital position to support business expansion, and to maintain the trust of investors, depositors, creditors and the market. In order to manage the capital, the Bank considers factors such as provision of an optimum rate of capital return to the shareholders, maintaining balance between high returns with higher gearing ratio and the security derived from strong capital position.

The Bank calculated its capital requirements in accordance with FSA regulation No. 11/POJK.3/2016 on Minimum Capital Adequacy Requirement for Commercial Banks as amended in FSA Regulation No. 34/POJK.03/2016, where the regulatory capital is analyzed into two tiers as follows:

- **Core capital (tier 1)**, which consists of core and additional core capital. Core capital includes issued and fully paid-up capital, additional paid-in capital, general reserve, previous years retained earnings and profit for the period/year (100%), other comprehensive income deriving from potential gain/loss from the changes in fair value of financial assets classified as available-for-sale, shortfall between allowable amount of allowance for uncollectible account on productive assets according to requirements from prevailing regulations and allowance for impairment losses on productive assets. Deferred tax assets, intangible assets (including goodwill) and share investments (100%) are deducted from core capital. Additional core capital includes non-cumulative preference shares, subordinated securities and subordinated debts after deducting buyback portion.

- **Supplementary capital (tier 2)**, which includes subordinated securities, subordinated debts and allowance for uncollectible account on productive assets according to requirements from prevailing regulations.

As of December 31, 2016 and 2017, the Bank’s regulatory capital position under the applicable regulations were as follows:
The Capital Adequacy Ratio (CAR) at the end of 2017 decreased by 0.8% to 17.5% from 18.3% at the end of 2016. The decrease in CAR was mainly driven by an increase in risk-weighted assets of 15.4% to Rp128.2 trillion in 2017 from Rp111.1 trillion at the end of 2016 in line with the loans growth. While the core capital (Tier 1) rose by 10.8% to Rp21.2 trillion at the end of 2017 from Rp19.1 trillion at the end of 2016, due to an increase in previous year profit and profit for the year.

**Solvency**

Furthermore, Bank OCBC NISP’s solvency is demonstrated by its ability to fulfill payment obligations on principal and interest of all marketable securities and subordinated bonds issued by the Bank. Details on payments of the principal and interest related to its marketable securities and subordinated bonds are provided below:

<table>
<thead>
<tr>
<th>Marketable Securities Issued</th>
<th>Series</th>
<th>Nominal Value</th>
<th>Effective Date</th>
<th>Tenor</th>
<th>Maturity Date</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous Bonds I OCBC NISP Phase II Year 2015 With Fixed Interest Rate</td>
<td>B</td>
<td>Rp670 billion</td>
<td>11 February 2013</td>
<td>2 years</td>
<td>10 February 2017</td>
<td>Repaid on February 10, 2017</td>
</tr>
<tr>
<td>Continuous Bonds II OCBC NISP Phase I Year 2016 With Fixed Interest Rate</td>
<td>A</td>
<td>Rp837 billion</td>
<td>29 April 2016</td>
<td>370 days</td>
<td>21 May 2017</td>
<td>Repaid on May 21, 2017</td>
</tr>
<tr>
<td>Subordinated Bonds III Bank OCBC NISP Year 2010</td>
<td>-</td>
<td>Rp880 billion</td>
<td>24 June 2010</td>
<td>7 years</td>
<td>30 June 2017</td>
<td>Repaid on June 30, 2017</td>
</tr>
</tbody>
</table>

In 2017, Bank OCBC NISP has repaid the principal and the interest of the marketable securities issued in accordance with agreed terms set forth in the prospectus of the issued securities.

The Bank’s ability to pay loans can be seen from the following ratio:

- **Liquidity Ratio**

Bank OCBC NISP continued to maintain a healthy level of liquidity throughout 2017. One of the measurement was the Loan to Deposit Ratio (LDR). Bank OCBC NISP kept managing an optimum level of LDR, and succeeded in maintaining it at 93.4% on December 31, 2017, whereby increased by 3.5% from 89.9% on December 31, 2016. The LDR achieved by the Bank OCBC NISP reflected its role as financial intermediary institution by increasing gross loans growth of 13.9% in 2017 which was balanced with the increase in third party funds of 9.5%.

Apart from LDR as liquidity measuring indicator, the Bank also maintained other funding components, particularly those that support mid-term and long-term liquidity. These components are no less important and not reflected in the Bank’s LDR calculation, such as mid-term and long-term financing in the form of senior bonds, and subordinated bonds.

The overall funding from senior bonds stood at Rp119.6 trillion at the end of 2017. Hence, the Loan to Funding Ratio, a loan ratio distributed to total third party funds plus senior bonds equaled 88.6%, a sound level to support the Bank’s business growth in long-term.
Dividend Policy

The Company strives to create value for stakeholders, and in this regard, includes balancing efforts to maximize shareholders’ value and to achieve sustainable business growth.

Bank OCBC NISP’s dividend policy consistently considers various factors, including financial soundness and condition, capital requirements, future growth plans and compliance with the provisions of regulator, while final decision rests on the General Meeting of Shareholders (GMS).

Related to such matters, Bank OCBC NISP has made preparation, which includes sustaining capital adequacy ratio above the applicable requirements that keep improving in the next year aligned with the implementation of third Basel 3 as well as to support business growth and expansion based on the Annual General Meeting as stated in Deed No. 88 dated March 30, 2017 and Deed No. 31 dated April 7, 2016 of Notary Fathiah Helmi, SH., the shareholders agreed not to distribute dividends from profits in the financial years 2016 and 2015, and to determine Rp100 million as the Bank’s statutory reserve for each financial year.

Capital Investment

The cost of capital investments during 2017 amounting to Rp206 billion, where the IT-related capital investments in the amount of Rp174 billion, were intended for the purchase of tools for data center and branch, purchase of ATM machines and other IT items, as well as the development of the required applications to support business growth. The cost of capital investments used internal funds.

- **Objective of Capital Investment**
  In 2017, the capital investments aimed at supporting business growth and providing better service to customers, including opened 2 new Cash Offices in Cianjur and Bekasi. In addition, Bank OCBC NISP also added 28 ATMs and 473 EDC/PC e-channel.

- **Types of Capital Investment**

- **Investment Value of Capital Expenditure**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Building</td>
<td>58</td>
<td>28</td>
</tr>
<tr>
<td>Office Equipment and Information Technology Equipment</td>
<td>148</td>
<td>174</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>232</td>
<td>206</td>
</tr>
</tbody>
</table>

### Loans, Deposits from Customers and Funding

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Deposit Ratio (LDR)</td>
<td>89.9%</td>
<td>93.4%</td>
</tr>
<tr>
<td>Loan</td>
<td>93,363</td>
<td>106,349</td>
</tr>
<tr>
<td>Third Party Funds</td>
<td>103,560</td>
<td>113,441</td>
</tr>
<tr>
<td>Funding</td>
<td>108,338</td>
<td>119,589</td>
</tr>
<tr>
<td>Total Cash Dividend</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Loan to Funding Ratio (LTF)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Deposit Ratio (LDR)</td>
<td>85.9%</td>
<td>88.6%</td>
</tr>
<tr>
<td>Loan</td>
<td>88.6%</td>
<td>85.9%</td>
</tr>
<tr>
<td>Third Party Funds</td>
<td>93.4%</td>
<td>93.4%</td>
</tr>
<tr>
<td>Funding</td>
<td>106,349</td>
<td>113,441</td>
</tr>
<tr>
<td>Total Cash Dividend</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Significant Capital Commitment

In 2017, Bank OCBC NISP had a number of significant capital commitment to support the business expansion.

- Objective of Significant Capital Commitment
  Most of the commitments were made in regard to expand the Bank's branch office network and capacity of the Information Technology System in order to support business development and daily banking operations.

- Funding to Fulfill Capital Commitments and Currency as Denominations
  Bank OCBC NISP still had the significant outstanding commitments for capital investments amounting to Rp44.5 billion as of December 31, 2017. The composition of outstanding capital commitments in Rupiah and foreign currencies denominations amounted to Rp32.9 billion and equivalent to Rp11.6 billion. The cost used the Bank’s internal fund. The composition of capital commitments over the last 2 years are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Rupiah</td>
<td>29.3</td>
<td>32.9</td>
</tr>
<tr>
<td>In Foreign currencies (Equivalent Rupiah)</td>
<td>10.4</td>
<td>11.6</td>
</tr>
<tr>
<td>Total</td>
<td>39.7</td>
<td>44.5</td>
</tr>
</tbody>
</table>

- The Bank’s effort to minimize risk arising from the related foreign currencies exchange
  Bank OCBC NISP continually monitors the fulfillment of its obligations related to the outstanding capital commitment, in order to ensure that each financial obligation has met consistently in a timely manner with source of funds that have been adequately allocated in advance. Bank OCBC NISP has also prepared the steps in relation to risks of foreign currencies fluctuations on outstanding capital commitment denominated in foreign currencies which is managed by the Finance Department which worked closely with the Treasury Division.

Information of Transaction with Conflict of Interest or Related Parties

In 2016 and 2017, there were no transactions undertaken by Bank OCBC NISP that can be classified as transactions with conflict of interest.

In 2016 and 2017, Bank OCBC NISP performed a number of transactions with related parties, among others were with the Shareholders, other related companies, the Board of Commissioners, the Board of Directors, and Executive Officers in the form of current accounts with other banks, derivative receivables, acceptance receivables, loans, prepayments, deposits from customers, deposits from other banks, derivative payables, acceptance payables, accrued expenses, interest income, interest expenses, as well as general and administrative expenses. More detailed explanation about fairness, the reasons of the transaction, the company's policy related to reviewing mechanism on transaction and related regulatory compliance as described in Note 43 to the financial statements are presented on page 209 of this Annual Integrated Report.
Information on Investments, Expansion, Divestment, Merger/Consolidation, Acquisition or Debt/Capital Restructuring

In 2017, the Company did not have significant transactions associated with investment, expansion, divestment, merger/consolidation, acquisition or debt/capital restructuring activities.

Report of Use of Proceeds from Initial Public Offering

Besides third party funds, Bank OCBC NISP also capitalized on funds raised from issuing marketable securities during 2016 and 2017 in order to diversify funding in loan distribution.

Cumulative Position on the Use of Proceeds from Initial Public Offering as at End of Financial Year

- Bank OCBC NISP issued Continuous Bonds II Bank OCBC NISP Phase I Year 2016 with Fixed Interest Rate on May 11, 2016, with total amount of Rp2,002 trillion in 3 series:
  a. Series A, with tenor of 370 days in the amount of Rp837 billion at 7.50% per annum, maturing on May 21, 2017;
  b. Series B, with tenor of two years in total amount of Rp380 billion at 8.00% per annum, maturing on May 11, 2018; and
  c. Series C, with tenor of three years in total amount of Rp783 billion at 8.25% per annum, maturing on May 11, 2019.

  All proceeds and net of issuance costs have been used to fund the business growth by channeling loans.

<table>
<thead>
<tr>
<th>Type of Public Offering</th>
<th>Effective Date</th>
<th>Issuance Date</th>
<th>Realization Value of Public Offering Proceeds</th>
<th>Plan of Fund Utilization Based on Prospectus</th>
<th>Realization of Fund Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Public Offering Proceed</td>
<td>Public Offering Cost</td>
<td>Net Proceed</td>
</tr>
<tr>
<td>Bonds</td>
<td>29 April 2016</td>
<td>11 May 2016</td>
<td>2,000,000</td>
<td>7,250</td>
<td>1,992,750</td>
</tr>
</tbody>
</table>

In order to meet FSA Regulation, on January 11, 2017 Bank OCBC NISP submitted letter No. 034/CPDD-CDU/GH/PUB-II/I/2017 to the Financial Services Authority to report that all proceeds raised from public offering of Continuous Bond II Bank OCBC NISP Phase I Year 2016 with Fixed Interest Rate, net of the issuance costs have been used entirely to support business growth by channeling loans, in accordance with the terms provided in the prospectus of the bonds.

- Bank OCBC NISP issued Continuous Bonds II OCBC NISP Phase II Year 2017 with Fixed Interest Rate on August 22, 2017 in total amount of Rp2,002 trillion in 3 series:
  a. Series A, with tenor of 370 days in the amount of Rp1,248 billion at 6.75% per annum, maturing on September 2, 2018;
  b. Series B, with tenor of two years in total amount of Rp300 billion at 7.30% per annum, maturing on August 22, 2019; and
  c. Series C, with tenor of three years in total amount of Rp454 billion at 7.70% per annum, maturing on August 22, 2020.

  All proceeds from the net of issuance costs have been used to fund business growth by channeling loans.

<table>
<thead>
<tr>
<th>Type of Public Offering</th>
<th>Effective Date</th>
<th>Issuance Date</th>
<th>Realization Value of Public Offering Proceeds</th>
<th>Plan of Fund Utilization Based on Prospectus</th>
<th>Realization of Fund Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Public Offering Proceed</td>
<td>Public Offering Cost</td>
<td>Net Proceed</td>
</tr>
<tr>
<td>Bonds</td>
<td>29 April 2016</td>
<td>22 August 2017</td>
<td>2,002,000</td>
<td>5,387</td>
<td>1,996,613</td>
</tr>
</tbody>
</table>

In order to meet FSA Regulation, on January 11, 2018 Bank OCBC NISP submitted letter No. 088/CPDD-CDU/GH/PUB-II/I/2018 to the Financial Services Authority to report that all proceeds raised from public offering of Continuous Bond II Bank OCBC NISP Phase II Year 2017 with Fixed Interest Rate, net of the issuance costs have been used entirely to support business growth by channeling loans, in accordance with the terms provided in the prospectus of the bonds.
• Bank OCBC NISP issued Continuous Bonds II OCBC NISP Phase III Year 2017 with Fixed Interest Rate on December 12, 2017 in total amount of Rp1.759 trillion in 3 series:
  a. Series A, with tenor of 370 days in the amount of Rp975 billion at 6.15% per annum, maturing on December 22, 2018;
  b. Series B, with tenor of two years in total amount of Rp175 billion at 6.75% per annum, maturing on December 12, 2019; and
  c. Series C, with tenor of three years in total amount of Rp609 billion at 7.20% per annum, maturing on December 12, 2020.

All proceeds from the net of issuance costs have been used to fund business growth by channeling loans.

<table>
<thead>
<tr>
<th>Type of Public Offering</th>
<th>Effective Date</th>
<th>Issuance Date</th>
<th>Realization Value of Public Offering Proceeds</th>
<th>Plan of Fund Utilization Based on Prospectus</th>
<th>Realization of Fund Utilization</th>
<th>Remained Fund Balance from Public Offering Proceed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>29 April 2016</td>
<td>12 December 2017</td>
<td>1,759,000</td>
<td>4,762</td>
<td>1,754,238</td>
<td>1,754,238</td>
</tr>
</tbody>
</table>

In order to meet FSA Regulation, on January 11, 2018 Bank OCBC NISP submitted letter No. 090/CPDD-CDU/GH/PUB-II/I/2018 to the Financial Services Authority to report that all proceeds raised from public offering of Continuous Bond II Bank OCBC NISP Phase III Year 2017 with Fixed Interest Rate, net of the issuance costs have been used to support business growth by channeling loans, in accordance with the terms provided in the prospectus of the bonds. The remaining public offering funds have been allocated according to the prevailing regulations.

In 2016 and 2017, there was no change made to the plans for the utilizing proceeds from public offerings carried out by the Company.

**Changes in Laws and Regulations Impacting Financial Performance**

There was no change in statutory laws or regulations of Bank Indonesia or Financial Service Authority (FSA) in 2017 and 2016 that had a material impact on the financial performance or position of Bank OCBC NISP.

**Reported Financial Information Pertaining to Extraordinary Events**

In 2017, there was no reported financial information containing extraordinary events.

**Stock Ownership Programs for Employees and/or Management (ESOP/MSOP)**

Up to 2017, Bank OCBC NISP had no stock ownership programs for employees and/or management. Stock ownership held by members of the bank Management at present derived from shares previously owned.

**Subsequent Events**

On February 10, 2018, Bank OCBC NISP has made repayment of Continuous Bond I OCBC NISP Phase II Year 2015 with Fixed Interest Rate Series C with nominal amount of Rp1,235 billion. As such, the Continuous Bond I OCBC NISP Phase II Year 2015 with Fixed Interest Rate has been completely repaid.

**Changes in Accounting Policies that Affect Financial Performance**

- New Accounting Standards
  - The Accounting Standards Board as a part of Institute of Indonesia Chartered Accountants has issued new standards, relevant revision and interpretation effective on or after January 1, 2017, as follows:
    - SFAS 1 Amendment: “Presentation of Financial Statements”
    - IFAS 31: “Interpretation on the scope of SFAS 13: Investment property”
    - IFAS 32: “Definition and hierarchy of financial accounting standards”
    - SFAS 3: “Interim Financial Statements”
    - SFAS 24: “Employee Benefits”
    - SFAS 58: Amendment “Non-Current Assets Held for Sale and Discontinued Operation”
    - SFAS 60: Amendment “Financial instruments: Disclosure”

  The implementation of new standards, revision and interpretation has no substantial impact on the accounting policy and on the amount reported in the current year or previous year.

  A complete accounting policy could be seen in Note 2 on the company’s financial statements as of 31 December 2017 in other section which is included in this Annual Report.
Prime Lending Rate

Commercial Banks that conduct conventional business activities in Indonesia are required to report and publish its prime lending rate in Rupiah. It is the result of the calculation of the three components, namely: (1) Cost of Funds for Loans or HPDK, (2) Overhead costs incurred in the lending process, and (3) Profit margin targeted for lending activities.

In calculating prime lending rate, Bank OCBC NISP has not included its individual customers’ risk premium component. Prime lending rate is currently at the lowest rate used as the basis in determining lending rates charged to its customers.

Bank OCBC NISP reports the calculation of prime lending rate in Rupiah to Financial Service Authority and publishes it to the public. The Bank calculates for three types of loans, which are: (1) corporate loans, (2) retail loans, and (3) consumer loans (mortgage and non-mortgage). Non mortgage consumer loans exclude provision of funds through credit cards and unsecured loans. This loan classification is based on criteria previously determined by Bank OCBC NISP’s internal function. The bank calculates the prime lending rate on an annual basis, given in a percentage form.

The prime lending rate which has been calculated and published at the end of 2016 and 2017 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Loans</td>
<td>10.50%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Retail Loans</td>
<td>11.50%</td>
<td>11.00%</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mortgage</td>
<td>12.50%</td>
<td>10.20%</td>
</tr>
<tr>
<td>• Non Mortgage</td>
<td>12.75%</td>
<td>10.75%</td>
</tr>
</tbody>
</table>

Target and Realization in 2017

Bank OCBC NISP has successfully completed the year of 2017 by achieving the designated targets, among others:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Target</th>
<th>2017 Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Growth</td>
<td>Range 10 -15%</td>
<td>11%</td>
</tr>
<tr>
<td>Loans Growth</td>
<td>Range 10 – 15%</td>
<td>14%</td>
</tr>
<tr>
<td>Third Party Funds Growth</td>
<td>Range 10 – 15%</td>
<td>10%</td>
</tr>
<tr>
<td>Return On Assets (ROA)</td>
<td>Around 2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Revenue / Net Interest Margin (NIM)</td>
<td>Around 4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Capital Structure / Capital Adequacy Ratio (CAR)</td>
<td>Around 17%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

2018 Target

The Bank’s target growth of total assets will be around 10-15% in 2018. The growth strategy of Loan as the largest contributor of the asset growth will focus on the improvement of revenues from all business segments and sustainable business growth. The Company will maintain its prudent loan disbursement policy and will keep an eye on the FSA credit growth directives while also maintaining its Non-Performing Loans of no more than 5% as set by the FSA. Loan growth will be supported by the growth of third party fund. The Bank will raise third party fund by continuously increasing its current and saving accounts for a more efficient cost of fund.

The Bank will also maintain its profitability level by increasing net interest revenue and contributions from fee-based income. Among the efforts to drive this are as follows: launch of up-to-date products, services and features which are aligned with customers’ need and intensification of product bundling and cross selling strategies. The Company will keep on improving efficiency and productivity through control of operations cost, end-to-end process improvement and optimization of the office and ATM networks performance.

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Growth</td>
<td>Range 10%-15%</td>
</tr>
<tr>
<td>Loans Growth</td>
<td>Range 10%-15%</td>
</tr>
<tr>
<td>Third Party Funds Growth</td>
<td>Range 10%-15%</td>
</tr>
<tr>
<td>Return On Assets (ROA)</td>
<td>Range 2.0%</td>
</tr>
<tr>
<td>Revenue / Net Interest Margin (NIM)</td>
<td>Range 4.0%</td>
</tr>
<tr>
<td>Capital Structure / Capital Adequacy Ratio (CAR)</td>
<td>Range 17%</td>
</tr>
<tr>
<td>Dividend Policy</td>
<td>Based on Annual General Meeting Shareholders resolutions</td>
</tr>
<tr>
<td></td>
<td>Based on Annual General Meeting Shareholders resolutions</td>
</tr>
</tbody>
</table>
BUSINESS PROSPECTS AND STRATEGIC PRIORITIES IN 2018

Indonesian Economic Prospects in 2018

In general, a favorable external environment, healthy fundamental and structural reformation progress will support the Indonesian economics growth in 2018, which is expected to reach above 5% sustained by combination of export and investment performance improvements.

The export growth is expected to remain strong in 2018, driven by a strong external demand in line with a rapid growth of global economics and global trading rebound. The acceleration of investments is in line with the commodity prices recovery, while the investor’s trust increases with a support of Investment Grade hike, and decline in commercial loans interest rate.

The private sector is expected to increase in line with the moderate inflation, stable exchange rate, stronger confidence of consumers and low consumer loans interest rate. At this rate, the inflation is expected to increase to around +/- 4% with assumption of no extreme weather that may disrupt the food production.

The following are the economic indicators in 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2018 Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>% y-o-y</td>
<td>5.4</td>
</tr>
<tr>
<td>CPI Inflation</td>
<td>% end of period</td>
<td>4.0</td>
</tr>
<tr>
<td>Exchange Rate (Rp/USD)</td>
<td>Rp</td>
<td>13,400</td>
</tr>
<tr>
<td>Indonesian Oil Price (USD/barrel)</td>
<td>USD</td>
<td>48</td>
</tr>
<tr>
<td>Oil Lifting (Million barrel per Day)</td>
<td>-</td>
<td>800</td>
</tr>
</tbody>
</table>

Source: Finance Ministry

Banking Industry Prospects in 2018

Banking industry will be improved within operation and asset quality which is mainly supported by economics growth, pro-business macroeconomics policies and rising commodity prices. With the improvement of business condition, the banking capital adequacy ratio in Indonesia is in secured position, not to mention the net interest margin remains the highest among Emerging Market countries, giving the strong buffer to muffle the asset quality declining cost. The funding and liquidity in banking system are expected to be stable to support the loans expansion.

However, Bank OCBC NISP constantly emphasizes on promoting prudential banking principle to execute strategic priority in the future, albeit the pressure of non-performing loan rate in national banking industry is expected to keep declining.

With the assumption of social, political and stable security conditions, the national banking is expected to grow 10-12%. Bank OCBC NISP targets to grow around 10-15% based on prudent banking principle as well as observing the loans growth direction from regulators.

Marketing Aspects and Strategic Priorities in 2018

With the spirit to achieve a proper and sustainable growth, Bank OCBC NISP constantly implements good corporate governance principles and create added value for all stakeholders as well as to grow the trust and faith of market players.

As time goes by, the Bank has made adjustment of “Bank OCBC NISP - With You” brand ahead which is more than a tagline, but also a commitment of Bank OCBC NISP to constantly walk side-by-side with the customers as well as being a reliable companion.

In 2018, Bank OCBC NISP will carry out strategic steps to achieve its vision and mission according to further direction policy, namely:
1. Strengthening the Bank’s business model.
2. Optimizing synergy with OCBC Group.
3. Continuing transformation in various fields including Network, IT & Operation and Services.
4. Strengthening the brand.
5. Executing the three lines of defense.