Financial Report

OVERVIEW

	2012	2011	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**3,748**	3,410	10
Non-interest income	**2,897**	2,212	31
Total core income	**6,645**	5,622	18
Operating expenses	**(2,695)**	(2,430)	11
Operating profit before allowances and amortisation	**3,950**	3,192	24
Amortisation of intangible assets	**(60)**	(61)	(2)
Allowances for loans and impairment of other assets	**(271)**	(221)	23
Operating profit after allowances and amortisation	**3,619**	2,910	24
Share of results of associates and joint ventures	**27**	7	271
Profit before income tax	**3,646**	2,917	25
Core net profit attributable to shareholders	**2,825**	2,280	24
Divestment gain, net of tax	**1,168**	32	nm
Reported net profit attributable to shareholders	**3,993**	2,312	73
Cash basis net profit attributable to shareholders [1]	**4,053**	2,373	71
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**22,909**	20,675	11
Total equity (excluding non-controlling interests)	**25,804**	22,571	14
Total assets	**295,943**	277,758	7
Assets excluding life assurance fund investment assets	**243,672**	228,670	7
Loans and bills receivable (net of allowances)	**142,376**	133,557	7
Deposits of non-bank customers	**165,139**	154,555	7
Per Ordinary Share			
Basic earnings (cents) [2]	**79.1**	64.8	
Basic earnings – Cash basis (cents) [2]	**80.8**	66.7	
Diluted earnings (cents) [2]	**78.9**	64.7	
Net asset value – Before valuation surplus (S$)	**6.68**	6.02	
Net asset value – After valuation surplus (S$)	**7.95**	7.04	
Key Financial Ratios (%)			
Return on equity [2][3]	**12.5**	11.1	
Return on equity – Cash basis [2][3]	**12.8**	11.4	
Return on assets [4]	**1.19**	1.09	
Return on assets – Cash basis [4]	**1.22**	1.12	
Net interest margin	**1.77**	1.86	
Non-interest income to total income	**43.6**	39.3	
Cost to income	**40.6**	43.2	
Loans to deposits	**86.2**	86.4	
NPL ratio	**0.8**	0.9	
Total capital adequacy ratio	**18.5**	15.7	
Tier 1 ratio	**16.6**	14.4	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on core net profit less preference share dividends.
(3) Preference equity and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
Amounts less than S$0.5 million are shown as "0".
"nm" denotes not meaningful.

Group net profit increased 73% to S$3.99 billion for the financial year ended 31 December 2012. Core net profit after tax, which excludes gains from the divestment of non-core assets, grew 24% to a record S$2.83 billion, as compared to S$2.28 billion a year ago. The results were driven by a combination of record net interest income, fee income and net trading income as well as significantly higher contributions from Great Eastern Holdings ("GEH").

Net interest income grew to a record S$3.75 billion, a 10% increase from S$3.41 billion in 2011, driven by strong asset growth which more than offset a reduction in net interest margin. Average balances of non-bank customer loans grew 15%, across various industry sectors in Singapore and key overseas markets. Net interest margin, however, narrowed 9 basis points to 1.77%, due to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition. The ratio of current and savings deposits to total non-bank deposits increased further to 50.6%, up from 46.4% a year ago, while our loans-to-deposits ratio was maintained at 86.2%, a level comparable to a year ago. Non-interest income, excluding divestment gains, was 31% higher at S$2.90 billion as compared to S$2.21 billion a year ago. Fee and commission income reached a new high of S$1.20 billion, driven by the sustained growth of the Group's wealth management franchise, including Bank of Singapore, and supported by higher loan-related and trade-related fees. Net trading income increased to S$515 million from S$217 million in the previous year, largely from securities and derivatives trading. Life assurance profit from Great Eastern Holdings increased 81% to S$692 million, from S$383 million in 2011, led by continued underwriting income growth and improved investment performance. The Group's divestment gains of S$1.32 billion (S$1.17 billion post-tax) during the year were largely attributable to the sale of its stakes in Fraser and Neave, Limited ("F&N") and Asia Pacific Breweries Limited ("APB") in August 2012.

Compared with total core income, which grew 18% to S$6.65 billion, operating expenses rose 11% to S$2.70 billion, from S$2.43 billion a year ago. This generated a 24% increase in operating profit, to S$3.95 billion for the year. Staff costs grew 14% to S$1.65 billion, from S$1.45 billion in 2011, largely from headcount growth of 8% to support the Group's expansion in Singapore and overseas markets. The increase in staff costs was also attributable to salary increments, higher incentive compensation and sales commissions associated with stronger business volumes. The cost-to-income ratio of 40.6% improved from 43.2% in the previous year. Net allowances of S$271 million were 23% higher as compared to S$221 million in 2011, while the non-performing loans ("NPL") ratio improved to 0.8%, from 0.9% a year ago.

Return on equity, based on core earnings, of 12.5% was higher as compared to 11.1% in 2011. Core earnings per share rose 22% to 79.1 cents, from 64.8 cents a year ago.

GEH reported a net profit after tax for the year of S$1.19 billion, which included divestment gains of S$422 million from the sale of its stakes in F&N and APB. Excluding the divestment gains, net profit reached a record of S$768 million for the year, as compared to S$386 million in 2011. This was underpinned by double-digit growth in underwriting profit, increased net investment income and higher mark-to-market gains. GEH's underlying insurance business continued to register sound growth, with new business weighted premiums increasing 5%, driven by increased demand for regular premium products. In particular, the Group's bancassurance channel reported strong growth across our key markets, reflecting the increased collaboration efforts within the Group. GEH's contribution to the Group's core net profit after tax, excluding divestment gains and after deducting amortisation of intangible assets and non-controlling interests, increased 109% to S$622 million, from S$297 million the previous year, contributing 22% of the Group's core earnings in 2012.

OCBC Bank (Malaysia) Berhad reported a 4% increase in full year net profit to MYR811 million (S$328 million). Broad-based revenue growth was driven by a 2% rise in net interest income, healthy Islamic Financing income growth of 34% and an increase in non-interest income of 12%. Expenses increased 14% as compared to the previous year, and net allowances fell 13%. Loans grew 12%, while the NPL ratio improved to 2.1%, from 2.6% a year ago.

Bank OCBC NISP's net profit rose 22% to IDR915 billion (S$122 million) from IDR753 billion (S$108 million) a year ago. Net interest income increased 14% from 2011, underpinned by broad-based loan growth of 28%, and non-interest income was 28% higher. Expenses grew 14% for the year; while net allowances increased 17%. Asset quality remained healthy, with the NPL ratio improving to 0.9% from 1.3% a year ago, while the coverage ratio was in excess of 200%.

The Board has proposed a final tax-exempt dividend of 17 cents per share, bringing the 2012 total dividend to 33 cents per share, an increase from 30 cents in 2011. The estimated total net dividend of S$1.13 billion for 2012 represents 40% of the Group's core net profit after tax of S$2.83 billion.

NET INTEREST INCOME

Average Balance Sheet

	2012			2011		
	Average Balance S$ million	Interest S$ million	Average Rate %	Average Balance S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**136,137**	**4,173**	**3.07**	118,744	3,675	3.10
Placements with and loans to banks	**41,890**	**962**	**2.30**	34,207	850	2.48
Other interest earning assets	**33,716**	**833**	**2.47**	29,979	795	2.65
Total	**211,743**	**5,968**	**2.82**	182,930	5,320	2.91
Interest bearing liabilities						
Deposits of non-bank customers	**158,564**	**1,715**	**1.08**	136,485	1,444	1.06
Deposits and balances of banks	**21,346**	**189**	**0.88**	22,365	187	0.83
Other borrowings	**17,134**	**316**	**1.84**	11,262	279	2.48
Total	**197,044**	**2,220**	**1.13**	170,112	1,910	1.12
Net interest income/margin		**3,748**	**1.77**		3,410	1.86

Net interest income increased 10% to S$3.75 billion, from S$3.41 billion in 2011, led by a 16% increase in interest earning assets, which more than offset a decline in net interest margin of 9 basis points to 1.77%, from 1.86% a year ago. The margin compression was largely attributable to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition.

Volume and Rate Analysis

Increase/(decrease) for 2012 over 2011	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	540	(52)	488
Placements with and loans to banks	192	(82)	110
Other interest earning assets	99	(64)	35
Total	831	(198)	633
Interest expense			
Deposits of non-bank customers	234	34	268
Deposits and balances of banks	(8)	10	2
Other borrowings	146	(111)	35
Total	372	(67)	305
Impact on net interest income	459	(131)	328
Due to change in number of days			10
Net interest income			338

NON-INTEREST INCOME

	2012 S$ million	2011 S$ million	+/(-) %
Fees and commissions			
Brokerage	**60**	69	(13)
Wealth management	**322**	252	28
Fund management	**86**	101	(15)
Credit card	**51**	48	6
Loan-related	**251**	216	16
Trade-related and remittances	**213**	208	2
Guarantees	**18**	21	(17)
Investment banking	**91**	95	(4)
Service charges	**78**	94	(17)
Others	**28**	33	(12)
Sub-total	**1,198**	1,137	5
Dividends	**88**	88	–
Rental income	**72**	76	(5)
Profit from life assurance	**692**	383	81
Premium income from general insurance	**146**	125	17
Other income			
Net trading income	**515**	217	137
Net gain from investment securities	**91**	120	(25)
Net gain from disposal/liquidation of subsidiaries and associates	**–**	1	(100)
Net gain from disposal of properties	**25**	4	497
Others	**70**	61	16
Sub-total	**701**	403	74
Total core non-interest income	**2,897**	2,212	31
Divestment gain	**1,316**	39	nm
Total non-interest income	**4,213**	2,251	87
Fees and commissions/Total income [1]	**18.0%**	20.2%	
Non-interest income/Total income [1]	**43.6%**	39.3%	

(1) Excludes gains from divestment of non-core assets.

Core non-interest income, excluding gains from the divestment of non-core assets, grew 31% to S$2.90 billion in 2012, from S$2.21 billion a year ago. Fees and commissions rose 5% to S$1.20 billion, from S$1.14 billion in 2011, led by higher wealth management income, loan-related and trade-related fees. Net trading income increased to S$515 million from S$217 million in the previous year, largely from securities and derivatives trading, while net gains from investment securities declined 25% to S$91 million, as compared with S$120 million in 2011. Profit from life assurance was S$692 million, an increase of 81% from S$383 million in 2011, underpinned by continued growth in underwriting profits and the strong investment performance of Great Eastern Holdings' ("GEH") Non-Participating Fund.

OPERATING EXPENSES

	2012 S$ million	2011 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**1,516**	1,338	13
Share-based expenses	**10**	10	(2)
Contribution to defined contribution plans	**124**	100	24
	1,650	1,448	14
Property and equipment			
Depreciation	**184**	166	11
Maintenance and hire of property, plant & equipment	**87**	75	16
Rental expenses	**70**	68	3
Others	**150**	142	6
	491	451	9
Other operating expenses	**554**	531	4
Total operating expenses	**2,695**	2,430	11
Group staff strength			
Period end	**24,628**	22,892	8
Average	**23,917**	22,371	7
Cost to income ratio [1]	**40.6%**	43.2%	

(1) Excludes gains from divestment of non-core assets.

Operating expenses increased 11% to S$2.70 billion, from S$2.43 billion a year ago. Staff costs rose 14% to S$1.65 billion from S$1.45 billion in 2011, reflecting the impact of an increase in headcount of 8% to support business growth in Singapore and overseas markets, as well as higher base salaries and incentive compensation associated with stronger business volumes. Property and equipment related expenses were 9% higher at S$491 million, compared with S$451 million in 2011, largely from an increase in depreciation expenses.

The cost-to-income ratio was 40.6% for 2012, an improvement compared with 43.2% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2012 S$ million	2011 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**87**	47	86
Malaysia	**14**	10	48
Others	**14**	22	(38)
	115	79	46
Portfolio allowances for loans	**148**	127	16
Allowances and impairment charges for other assets	**8**	15	(43)
Allowances for loans and impairment of other assets	**271**	221	23

Allowances for loans and other assets were S$271 million in 2012, higher as compared with S$221 million. Specific allowances for loans, net of recoveries and writebacks were S$115 million, up 46% from S$79 million a year ago, with the increase coming mainly from Singapore. Specific allowances remained low at 8 basis points of loans. Portfolio allowances for loans increased 16% to S$148 million, from S$127 million in 2011, in line with strong loan growth.

LOANS AND ADVANCES

	2012 S$ million	2011 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**4,863**	4,042	20
Manufacturing	**8,197**	8,424	(3)
Building and construction	**22,388**	20,365	10
Housing loans	**37,809**	32,076	18
General commerce	**17,502**	20,347	(14)
Transport, storage and communication	**9,106**	9,208	(1)
Financial institutions, investment and holding companies	**22,456**	18,792	19
Professionals and individuals	**14,272**	13,952	2
Others	**7,437**	7,926	(6)
	144,030	135,132	7
By Currency			
Singapore Dollar	**70,141**	61,198	15
United States Dollar	**31,680**	35,716	(11)
Malaysian Ringgit	**18,404**	16,724	10
Indonesian Rupiah	**4,989**	4,465	12
Others	**18,816**	17,029	10
	144,030	135,132	7
By Geography [1]			
Singapore	**75,215**	68,260	10
Malaysia	**23,157**	21,064	10
Indonesia	**10,679**	9,383	14
Greater China	**17,379**	19,952	(13)
Other Asia Pacific	**8,253**	7,873	5
Rest of the World	**9,347**	8,600	9
	144,030	135,132	7

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

Gross loans to customers grew by 7% to S$144 billion as of 31 December 2012, from S$135 billion a year ago. Loan growth was achieved across various industry sectors in Singapore and key overseas markets, with the largest contributions coming from housing loans, and loans to building and construction, and financial institutions, investment and holding companies.

NON-PERFORMING ASSETS

	Total NPAs [1] S$ million	Substandard S$ million	Doubtful S$ million	Loss S$ million	Secured NPAs/ Total NPAs %	NPLs [2] S$ million	NPL Ratio [2] %
Singapore							
2012	**258**	**91**	**119**	**48**	**55.2**	**258**	**0.3**
2011	390	205	151	34	61.7	330	0.5
Malaysia							
2012	**432**	**251**	**134**	**47**	**55.7**	**409**	**1.8**
2011	580	462	72	46	67.0	486	2.3
Indonesia							
2012	**60**	**6**	**3**	**51**	**47.8**	**60**	**0.6**
2011	77	9	10	58	50.6	77	0.8
Greater China							
2012	**33**	**28**	**0**	**5**	**87.9**	**33**	**0.2**
2011	42	39	3	–	73.1	42	0.2
Other Asia Pacific							
2012	**281**	**242**	**39**	**–**	**73.7**	**281**	**3.4**
2011	240	183	57	–	75.6	135	1.7
Rest of the World							
2012	**108**	**99**	**7**	**2**	**23.3**	**104**	**1.1**
2011	108	94	12	2	80.5	102	1.2
Group							
2012	**1,172**	**717**	**302**	**153**	**57.4**	**1,145**	**0.8**
2011	1,437	992	305	140	67.3	1,172	0.9

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

The Group's asset quality remained healthy. Non-performing loans ("NPLs") declined 2% to S$1.15 billion as of 31 December 2012, compared with S$1.17 billion a year ago. By geography, the decrease was mainly from Singapore and Malaysia, partly offset by an increase in Other Asia Pacific. By industry segment, the decrease was mainly from transport, storage and communication, financial institutions, investment and holding companies, and general commerce.

The Group's NPL ratio was 0.8%, an improvement from 0.9% a year ago.

Total non-performing assets ("NPAs") as at 31 December 2012, which include classified debt securities and contingent liabilities, were S$1.17 billion, a decline of 18% from S$1.44 billion a year ago. Of the total NPAs, 61% were in the substandard category and 57% were secured by collateral.

NON-PERFORMING ASSETS (continued)

	2012		2011	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**6**	**0.1**	6	0.1
Manufacturing	**366**	**4.5**	294	3.5
Building and construction	**199**	**0.9**	149	0.7
Housing loans	**192**	**0.5**	188	0.6
General commerce	**105**	**0.6**	133	0.7
Transport, storage and communication	**77**	**0.8**	128	1.4
Financial institutions, investment and holding companies	**88**	**0.4**	130	0.7
Professionals and individuals	**87**	**0.6**	114	0.8
Others	**25**	**0.3**	30	0.4
Total NPLs	**1,145**	**0.8**	1,172	0.9
Classified debt securities	**4**		111	
Classified contingent liabilities	**23**		154	
Total NPAs	**1,172**		1,437	

	2012		2011	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**328**	**28**	512	36
Over 90 to 180 days	**81**	**7**	85	6
30 to 90 days	**160**	**14**	204	14
Less than 30 days	**10**	**1**	25	2
Not overdue	**593**	**50**	611	42
	1,172	**100**	1,437	100

CUMULATIVE ALLOWANCES FOR ASSETS

	Total cumulative allowances S$ million	Specific allowances S$ million	Portfolio allowances S$ million	Specific allowances as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
2012	**696**	**105**	**591**	**40.8**	**269.5**
2011	608	71	537	18.1	155.9
Malaysia					
2012	**450**	**133**	**317**	**30.8**	**104.4**
2011	454	165	289	28.4	78.3
Indonesia					
2012	**164**	**39**	**125**	**66.2**	**273.2**
2011	138	45	93	58.4	180.1
Greater China					
2012	**170**	**4**	**166**	**10.7**	**508.9**
2011	162	3	159	7.7	383.0
Other Asia Pacific					
2012	**112**	**20**	**92**	**7.1**	**40.0**
2011	97	15	82	6.2	40.4
Rest of the World					
2012	**70**	**10**	**60**	**8.8**	**64.0**
2011	73	13	60	12.8	67.6
Group					
2012	**1,662**	**311**	**1,351**	**26.6**	**141.8**
2011	1,532	312	1,220	21.7	106.6

As at 31 December 2012, the Group's total cumulative allowances for assets were S$1.66 billion, comprising S$311 million in specific allowances and S$1.35 billion in portfolio allowances. Total cumulative allowances were 142% of total NPAs and 333% of unsecured NPAs, up from 107% and 326%, respectively, as at 31 December 2011.

DEPOSITS

	2012 S$ million	2011 S$ million	+/(-) %
Deposits of non-bank customers	**165,139**	154,555	7
Deposits and balances of banks	**25,656**	21,653	18
Total deposits	**190,795**	176,208	8
Non-Bank Deposits By Product			
Fixed deposits	**67,263**	70,984	(5)
Savings deposits	**30,614**	28,536	7
Current account	**52,904**	43,118	23
Others	**14,358**	11,917	20
	165,139	154,555	7
Non-Bank Deposits By Currency			
Singapore Dollar	**82,095**	80,236	2
United States Dollar	**31,455**	21,969	43
Malaysian Ringgit	**20,739**	19,128	8
Indonesian Rupiah	**5,835**	5,158	13
Others	**25,015**	28,064	(11)
	165,139	154,555	7
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**86.2%**	86.4%	

Non-bank customer deposits grew 7% to S$165 billion as at 31 December 2012, from S$155 billion a year ago. The increase was driven by 23% growth in current account deposits to S$52.9 billion, from S$43.1 billion in 2011, as well as a 7% rise in savings deposits to S$30.6 billion, from S$28.5 billion a year ago. The ratio of current and savings deposits to total non-bank deposits was 50.6%, an improvement compared with 46.4% a year ago.

The Group's loans-to-deposits ratio was 86.2%, compared with 86.4% a year ago.

PERFORMANCE BY BUSINESS SEGMENT

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

Operating Profit by Business Segment

	2012 S$ million	2011 S$ million	+/(-) %
Global Consumer/Private Banking	**589**	489	20
Global Corporate/Investment Banking	**1,745**	1,389	26
Global Treasury and Markets	**617**	479	29
Insurance	**825**	437	89
Others [1]	**(157)**	116	(236)
Operating profit after allowances and amortisation	**3,619**	2,910	24

(1) Excludes gains from divestment of non-core assets.

Global Consumer/Private Banking

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

Operating profit after allowances increased 20% to S$589 million from S$489 million in 2011, driven by higher net interest income and fee income, which offset an increase in expenses and allowances.

Global Corporate/Investment Banking

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

Global Corporate/Investment Banking's operating profit after allowances grew 26% to S$1.75 billion, from S$1.39 billion a year ago, underpinned by higher net interest income arising from robust loan growth, as well as lower net allowances.

Global Treasury and Markets

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

Global Treasury's operating profit increased by 29% to S$617 million, from S$479 million, largely attributable to an increase in trading income.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.2%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH reported significant growth in operating profit in 2012 as a result of the strong investment performance in its Non-Participating Fund and higher underwriting profits. Operating profit rose 89% to S$825 million in 2012, from S$437 million. After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$622 million in 2012, higher than the S$297 million in 2011.

Others

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

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2012 S$ million	%	2011 S$ million	%
Total core income				
Singapore [1]	**4,214**	**63**	3,405	60
Malaysia [1]	**1,305**	**20**	1,220	22
Indonesia	**466**	**7**	417	7
Greater China [1]	**431**	**7**	387	7
Other Asia Pacific	**150**	**2**	140	3
Rest of the World	**79**	**1**	53	1
	6,645	**100**	5,622	100
Profit before income tax				
Singapore [1]	**2,264**	**62**	1,710	59
Malaysia [1]	**812**	**22**	773	26
Indonesia	**159**	**4**	125	4
Greater China [1]	**264**	**7**	195	7
Other Asia Pacific	**94**	**3**	92	3
Rest of the World	**53**	**2**	22	1
	3,646	**100**	2,917	100
Total assets				
Singapore	**181,385**	**61**	173,522	62
Malaysia	**58,030**	**20**	53,327	19
Indonesia	**10,162**	**3**	8,832	3
Greater China	**28,083**	**9**	28,878	10
Other Asia Pacific	**10,426**	**4**	8,984	4
Rest of the World	**7,857**	**3**	4,215	2
	295,943	**100**	277,758	100

(1) Gains from divestment of non-core assets of S$1.32 billion in 2012, and S$39 million in 2011 were not included in total core income and profit before income tax.

The geographical segment analysis is based on the location where assets or transactions are booked. For 2012, Singapore accounted for 63% of total income and 62% of pre-tax profit, while Malaysia accounted for 20% of total income and 22% of pre-tax profit.

Pre-tax profit for Singapore rose 32% to S$2.26 billion, from S$1.71 billion in 2011 as higher net interest income, insurance and net trading income more than offset an increase in expenses. Malaysia's pre-tax profit was 5% higher at S$812 million in 2012, from S$773 million a year ago, as higher net interest income and trading income was offset by an increase in operating expenses.

CAPITAL ADEQUACY RATIOS

As at 31 December 2012, the Group's Tier 1 ratio and total capital adequacy ratio ("CAR") were 16.6% and 18.5% respectively. These were well above the regulatory minimums of 6% and 10%, respectively. The Group's core Tier 1 ratio, which excludes Tier 1 preference shares, was 12.8% as compared with 11.4% as at 31 December 2011. The Group's Tier 1 ratios improved from their end-2011 levels, primarily attributable to higher earnings, the retention of the realised gains from the divestment of the Group's shareholdings in Fraser and Neave, Limited and Asia Pacific Breweries Limited, and from the issuance of preference shares and subordinated notes during the year. The Group is comfortably positioned to meet MAS' capital requirements under Basel III.

UNREALISED VALUATION SURPLUS

	2012 S$ million	2011 S$ million
Properties [(1)]	**3,117**	2,877
Equity securities [(2)]	**1,245**	636
Total	**4,362**	3,513

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at the end of the year.

(2) Comprises mainly investments in quoted subsidiaries, which are valued based on their market prices at the end of the year.

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

The valuation surplus as at 31 December 2012 was S$4.36 billion, an increase of 24% from S$3.51 billion a year ago. The surplus for properties rose by 8% to S$3.12 billion, from S$2.88 billion in 2011 largely as a result of higher property values in Singapore. The surplus in equity securities valuation increased 96% to S$1.25 billion, from S$636 million a year ago mainly attributable to the Group's equity stakes in GEH and Bank OCBC NISP.

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2012.

DIRECTORS

The directors of the Bank in office at the date of this report are as follows:

Cheong Choong Kong, Chairman
Bobby Chin Yoke Choong
David Philbrick Conner
Fang Ai Lian
Lai Teck Poh
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy
Neo Boon Siong
Ooi Sang Kuang (appointed on 21 February 2012)
Quah Wee Ghee
Pramukti Surjaudaja
Teh Kok Peng

Mr David Conner, Dr Lee Tih Shih, Mr Pramukti Surjaudaja and Professor Neo Boon Siong retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Dr Cheong Choong Kong and Mr Lee Seng Wee retire pursuant to section 153 of the Companies Act, Cap. 50. Resolutions will be proposed for their re-appointment under section 153(6) of the said Act to hold office until the next annual general meeting of the Bank.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object is to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interests in the share capital of the Bank and its related corporation, as follows:

	Direct interest		Deemed interest	
	At 31.12.2012	At 1.1.2012/ Date of appointment	At 31.12.2012	At 1.1.2012/ Date of appointment
BANK				
Ordinary shares				
Cheong Choong Kong	**378,373**	178,373	**10,831** (1)	10,831 (1)
Bobby Chin Yoke Choong	**34,917**	28,917	**45,130** (1)	45,130 (1)
David Philbrick Conner	**2,402,515**	1,880,311	**1,180,742** (2)	1,754,224 (3)
Fang Ai Lian	**68,671**	62,671	**–**	–
Lai Teck Poh	**554,824**	416,703	**14,442** (2)	36,070 (2)
Lee Seng Wee	**7,531,454**	7,525,454	**4,401,409** (1)	4,401,409 (1)
Lee Tih Shih	**2,689,860**	2,683,860	**–**	–
Colm Martin McCarthy	**18,561**	12,561	**–**	–
Neo Boon Siong	**40,332**	34,332	**–**	–
Quah Wee Ghee	**–**	–	**473** (1)	473 (1)
Pramukti Surjaudaja	**18,561**	12,561	**–**	–
Teh Kok Peng	**389,506**	386,991	**–**	–
5.1% Class B non-cumulative non-convertible preference shares				
Fang Ai Lian	**1,700**	1,700	**–**	–
Lai Teck Poh	**2,500**	2,500	**–**	–
Quah Wee Ghee	**–**	–	**1,000** (1)	1,000 (1)
4.2% Class G non-cumulative non-convertible preference shares				
Cheong Choong Kong	**15,000**	15,000	**–**	–
Bobby Chin Yoke Choong	**–**	–	**8,227** (1)	8,227 (1)
David Philbrick Conner	**50,000**	50,000	**–**	–
Lee Seng Wee	**800,000**	800,000	**600,000** (1)	600,000 (1)
Lee Tih Shih	**240,000**	240,000	**–**	–
Teh Kok Peng	**40,000**	40,000	**–**	–
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	10,000	**–**	–
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100** (1)	2,100 (1)

(1) Ordinary shares/preference shares held by spouse.

(2) Ordinary shares under OCBC Deferred Share Plan.

(3) Comprises interest of 1,258,173 ordinary shares under OCBC Deferred Share Plan, acquisition rights of 8,022 ordinary shares under OCBC Employee Share Purchase Plan and 488,029 ordinary shares under employment contract.

None of the directors have direct or deemed interest in the 4.5% Class E and 4.0% Class M non-cumulative non-convertible preference shares. The 4.5% Class E non-cumulative non-convertible preference shares have been fully redeemed by the Bank on 28 January 2013.

Save as disclosed above, no directors had any interest in shares, or debentures of, the Bank or related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2013.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received, or become entitled to receive, benefits by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in this report, or in the financial statements of the Company and of the Group.

An agreement was made between Dr Cheong Choong Kong ("Dr Cheong"), non-executive director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as consultant to oversee and supervise the strategic planning of the Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the Group. This agreement expired and ceased on 30 June 2012. In respect of the financial year ended 31 December 2012, when the agreement was applicable for the period from 1 January to 30 June 2012, Dr Cheong received payments and benefits amounting to $547,528 and will receive a variable bonus of $50,000 or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of the Bank. In respect of the financial year ended 31 December 2011 (full year), Dr Cheong has received aggregate payments and benefits of $1,117,155 and a variable bonus of $1,000,000, comprising a bonus of $100,000 and an additional bonus of $900,000.

In his capacity as a director of the Bank, Dr Cheong is also eligible for any directors' fees or share options that are recommended by the Board of Directors. Dr Cheong's total remuneration (including the payments mentioned above and all benefits, variable bonus, directors' fees and share options) for the financial year ended 31 December 2012 is reflected in the Directors' Remuneration table in the Corporate Governance Section of the Annual Report.

SHARE-BASED COMPENSATION PLANS

The Bank's share-based compensation plans are administered by the Remuneration Committee, which comprises:

Fang Ai Lian, Chairman
Cheong Choong Kong
Lee Tih Shih
Neo Boon Siong
Quah Wee Ghee

Dr Cheong Choong Kong did not participate in any deliberation or decision in respect of options granted to him.

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company.

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme

The OCBC Share Option Scheme 2001 ("2001 Scheme"), which was implemented in 2001, had been extended for another 10 years from 2011 to 2021, as approved by the shareholders. Executives of the Group ranked Manager and above (including executive and non-executive directors), are eligible for this scheme. The Bank will either issue new shares or transfer treasury shares to the executives upon their exercise of options.

Particulars of Options 2002, 2002B, 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2007NED, 2008, 2008NED, 2009, 2009NED, 2010, 2010NED, 2011 and 2011NED were set out in the Directors' Reports for the financial years ended 31 December 2002 to 2011.

During the financial year, pursuant to the 2001 Scheme, options to acquire 5,019,795 ordinary shares at $8.798 per ordinary share were granted to 130 eligible executives of the Group ("2012 Options"), as well as to a non-executive director of the Bank ("2012NED Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately prior to the date when the offer to grant an option was made to a grantee.

SHARE-BASED COMPENSATION PLANS (continued)

(a) OCBC Share Option Scheme (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2012 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2012 Outstanding	Exercisable
2002	09.04.2003 to 08.04.2012	5.742	2,607,717	2,568,904	–	–
2002B	24.10.2003 to 23.10.2012	4.367	110,000	110,000	–	–
2003	28.03.2004 to 26.03.2013	4.067	919,689	915,425	2,497,957	2,497,957
2004	16.03.2005 to 14.03.2014	5.142	261,787	261,787	2,052,867	2,052,867
2004A	20.08.2005 to 18.08.2014	5.492	–	–	140,800	140,800
2004B	23.11.2005 to 21.11.2014	5.667	–	–	103,200	103,200
2005	15.03.2006 to 13.03.2015	5.767	234,145	226,651	2,830,745	2,830,745
2005A	09.04.2006 to 07.04.2015	5.784	252,328	252,328	227,400	227,400
2006	15.03.2007 to 13.03.2016	6.820	131,817	130,343	2,430,892	2,430,892
2006B	24.05.2007 to 22.05.2016	6.580	216,190	205,897	292,000	292,000
2007	15.03.2008 to 13.03.2017	8.590	156,780	155,816	2,710,783	2,710,783
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	445,000
2007B	15.03.2008 to 13.03.2017	8.590	97,000	88,799	427,000	427,000
2007NED	15.03.2008 to 13.03.2012	8.590	200,000	200,000	–	–
2008	15.03.2009 to 13.03.2018	7.520	428,907	416,343	3,568,903	3,568,903
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	200,000
2009	17.03.2010 to 15.03.2019	4.138	533,814	528,380	2,485,546	2,485,546
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	162,958
2010	16.03.2011 to 14.03.2020	8.762	164,613	158,333	2,596,797	1,669,923
2010NED	16.03.2011 to 14.03.2015	8.762	–	–	233,727	154,258
2011	15.03.2012 to 13.03.2021	9.350	30,885	28,351	2,268,319	734,550
2011NED	15.03.2012 to 13.03.2016	9.350	–	–	326,302	107,679
2012	15.03.2013 to 13.03.2022	8.798	–	–	4,568,665	–
2012NED	15.03.2013 to 13.03.2017	8.798	–	–	340,924	–
			6,345,672	6,247,357	30,910,785	23,242,461

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible for the ESP Plan. Particulars of the ESP Plan were set out in the Directors' Report for the financial year ended 31 December 2007.

At an extraordinary general meeting held on 17 April 2009, alterations to the ESP Plan were approved to enable two (but not more than two) Offering Periods to be outstanding on any date. Since each Offering Period currently consists of a 24-month period, these alterations will enable the Bank to prescribe Offering Periods once every 12 months (instead of once every 24 months as was previously the case).

In June 2012, the Bank launched its seventh offering of ESP Plan, which commenced on 1 July 2012 and will expire on 30 June 2014. Under the seventh offering, 5,994 employees enrolled to participate in the ESP Plan to acquire 7,788,738 ordinary shares at $8.68 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Total awards of 4,508,997 ordinary shares (including 380,789 ordinary shares to directors of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2012. In addition, total awards of 400,934 ordinary shares (including 40,805 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2011 and interim dividend for financial year ended 31 December 2012. During the financial year, 5,389,002 deferred shares were released to grantees, of which 520,653 deferred shares were released to directors of the Bank.

SHARE-BASED COMPENSATION PLANS (continued)

Changes in the number of options under the 2001 Scheme and acquisition rights under the ESP Plan held by directors for the financial year under review are as follows:

Name of director	Options granted/rights subscribed to acquire ordinary shares for the financial year ended 31.12.2012	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2012	Aggregate number of options/rights exercised/converted/ lapsed since commencement of scheme/plan to 31.12.2012	Aggregate number of options/rights outstanding at 31.12.2012
2001 Scheme				
Cheong Choong Kong	340,924	1,978,711	200,000	1,778,711
David Philbrick Conner	–	4,565,000	2,232,000	2,333,000
Lai Teck Poh	–	481,000	140,000	341,000
ESP Plan				
David Philbrick Conner	–	47,593	47,593	–

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2013.

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Bobby Chin Yoke Choong, Chairman
Colm Martin McCarthy
Ooi Sang Kuang
Teh Kok Peng

The Audit Committee performed the functions specified in the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the Banking (Corporate Governance) (Amendment) Regulations 2010, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

(a) response of the Bank's management and the assistance provided by officers of the Bank to the external and internal auditors;
(b) the financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors; and
(c) the independence and objectivity of the external auditors.

The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings.

The Audit Committee has nominated KPMG LLP for re-appointment as auditors of the Bank at the forthcoming annual general meeting.

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

BOBBY CHIN YOKE CHOONG
Director

Singapore
14 February 2013

Statement by Directors

For the financial year ended 31 December 2012

In the opinion of the directors,

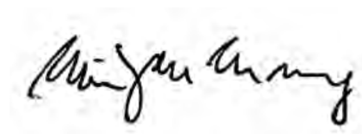
(a) the financial statements set out on pages 79 to 171 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director



BOBBY CHIN YOKE CHOONG
Director

Singapore
14 February 2013

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2012, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 79 to 171.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
14 February 2013

Income Statements

For the financial year ended 31 December 2012

		GROUP		BANK	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest income		**5,967,535**	5,319,991	**3,441,391**	3,069,746
Interest expense		**(2,219,791)**	(1,909,569)	**(1,190,176)**	(1,053,601)
Net interest income	3	**3,747,744**	3,410,422	**2,251,215**	2,016,145
Premium income		**6,254,417**	6,106,288	**–**	–
Investment income		**4,245,724**	1,675,469	**–**	–
Net claims, surrenders and annuities		**(5,376,383)**	(4,530,694)	**–**	–
Change in life assurance fund contract liabilities		**(3,065,964)**	(1,697,463)	**–**	–
Commission and others		**(1,366,075)**	(1,171,072)	**–**	–
Profit from life assurance	4	**691,719**	382,528	**–**	–
Premium income from general insurance		**145,836**	125,079	**–**	–
Fees and commissions (net)	5	**1,198,250**	1,137,127	**683,837**	646,520
Dividends	6	**88,233**	88,048	**469,325**	339,183
Rental income		**72,327**	76,009	**31,425**	31,001
Other income	7	**2,017,263**	441,465	**1,133,410**	271,404
Non-interest income		**4,213,628**	2,250,256	**2,317,997**	1,288,108
Total income		**7,961,372**	5,660,678	**4,569,212**	3,304,253
Staff costs		**(1,649,620)**	(1,448,181)	**(673,439)**	(576,689)
Other operating expenses		**(1,045,122)**	(981,731)	**(712,369)**	(665,420)
Total operating expenses	8	**(2,694,742)**	(2,429,912)	**(1,385,808)**	(1,242,109)
Operating profit before allowances and amortisation		**5,266,630**	3,230,766	**3,183,404**	2,062,144
Amortisation of intangible assets	37	**(59,903)**	(61,337)	**–**	–
Allowances for loans and impairment for other assets	9	**(271,432)**	(221,406)	**(180,841)**	(126,632)
Operating profit after allowances and amortisation		**4,935,295**	2,948,023	**3,002,563**	1,935,512
Share of results of associates and joint ventures		**26,566**	7,166	**–**	–
Profit before income tax		**4,961,861**	2,955,189	**3,002,563**	1,935,512
Income tax expense	10	**(698,912)**	(476,586)	**(306,543)**	(200,865)
Profit for the year		**4,262,949**	2,478,603	**2,696,020**	1,734,647
Attributable to:					
Equity holders of the Bank		**3,992,811**	2,312,216		
Non-controlling interests		**270,138**	166,387		
		4,262,949	2,478,603		
Earnings per share (cents)	11				
Basic		**113.1**	65.8		
Diluted		**112.9**	65.6		

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2012

		GROUP		BANK	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit for the year		**4,262,949**	2,478,603	**2,696,020**	1,734,647
Other comprehensive income:					
Available-for-sale financial assets					
Gains/(losses) for the year		**1,011,932**	(156,837)	**565,563**	(21,013)
Reclassification of (gains)/losses to income statement					
- on disposal		**(1,350,925)**	(120,054)	**(810,843)**	(77,461)
- on impairment		**18,197**	(7,840)	**(287)**	(10,047)
Tax on net movements	20	**71,808**	25,878	**56,542**	13,066
Actuarial losses on defined benefit plans		**(8,241)**	–	**–**	–
Exchange differences on translating foreign operations		**(288,083)**	(2,506)	**(32,159)**	7,617
Other comprehensive income of associates and joint ventures		**(174)**	5,512	**–**	–
Total other comprehensive income, net of tax		**(545,486)**	(255,847)	**(221,184)**	(87,838)
Total comprehensive income for the year, net of tax		**3,717,463**	2,222,756	**2,474,836**	1,646,809
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,488,284**	2,073,533		
Non-controlling interests		**229,179**	149,223		
		3,717,463	2,222,756		

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

Balance Sheets

As at 31 December 2012

	Note	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**9,953,321**	9,022,918	**9,953,321**	9,022,918
Capital reserves	14	**375,520**	279,402	**95,985**	90,289
Fair value reserves		**895,345**	1,124,668	**321,369**	510,394
Revenue reserves	15	**14,580,211**	12,143,711	**9,213,566**	7,721,619
		25,804,397	22,570,699	**19,584,241**	17,345,220
Non-controlling interests	16	**2,896,604**	2,819,322	**–**	–
Total equity		**28,701,001**	25,390,021	**19,584,241**	17,345,220
LIABILITIES					
Deposits of non-bank customers	17	**165,139,476**	154,554,839	**115,325,281**	109,826,711
Deposits and balances of banks	17	**25,655,587**	21,653,245	**21,538,856**	18,880,685
Due to subsidiaries		**–**	–	**8,257,934**	5,912,981
Due to associates		**161,362**	178,050	**148,642**	164,361
Trading portfolio liabilities		**1,083,334**	1,655,040	**1,083,334**	1,655,040
Derivative payables	18	**5,000,572**	6,112,768	**4,619,730**	5,782,256
Other liabilities	19	**4,323,093**	4,023,408	**1,542,720**	1,458,675
Current tax		**897,296**	800,161	**366,712**	304,098
Deferred tax	20	**1,170,303**	1,123,125	**65,179**	120,854
Debt issued	21	**11,424,427**	13,063,178	**11,918,895**	13,797,463
		214,855,450	203,163,814	**164,867,283**	157,903,124
Life assurance fund liabilities	22	**52,387,007**	49,203,775	**–**	–
Total liabilities		**267,242,457**	252,367,589	**164,867,283**	157,903,124
Total equity and liabilities		**295,943,458**	277,757,610	**184,451,524**	175,248,344
ASSETS					
Cash and placements with central banks	23	**16,396,833**	12,896,605	**9,381,653**	6,985,599
Singapore government treasury bills and securities	24	**13,141,224**	13,250,113	**11,961,420**	12,592,280
Other government treasury bills and securities	24	**9,156,753**	7,396,804	**6,098,387**	3,987,623
Placements with and loans to banks	25	**29,810,928**	28,614,577	**21,017,680**	20,654,266
Loans and bills receivable	26–29	**142,376,478**	133,556,851	**104,156,600**	97,786,527
Debt and equity securities	30	**14,931,990**	15,081,434	**9,348,412**	9,721,440
Assets pledged	44	**2,056,155**	1,838,981	**1,946,335**	1,328,905
Assets held for sale	45	**5,256**	6,195	**–**	–
Derivative receivables	18	**5,154,754**	5,898,815	**4,693,349**	5,462,372
Other assets	31	**3,844,627**	3,191,439	**1,147,341**	1,186,728
Deferred tax	20	**43,438**	43,416	**26,257**	4,321
Associates and joint ventures	33	**354,892**	360,435	**191,250**	215,073
Subsidiaries	34	**–**	–	**11,576,708**	12,461,828
Property, plant and equipment	35	**1,702,585**	1,663,870	**473,930**	425,289
Investment property	36	**878,240**	922,335	**565,026**	568,917
Goodwill and intangible assets	37	**3,817,902**	3,947,394	**1,867,176**	1,867,176
		243,672,055	228,669,264	**184,451,524**	175,248,344
Life assurance fund investment assets	22	**52,271,403**	49,088,346	**–**	–
Total assets		**295,943,458**	277,757,610	**184,451,524**	175,248,344

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

Statement of Changes in Equity - Group

For the financial year ended 31 December 2012

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2012	**9,022,918**	**279,402**	**1,124,668**	**12,143,711**	**22,570,699**	**2,819,322**	**25,390,021**
Total comprehensive income for the year							
Profit for the year	–	–	–	3,992,811	3,992,811	270,138	4,262,949
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	963,847	–	963,847	48,085	1,011,932
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(1,286,053)	–	(1,286,053)	(64,872)	(1,350,925)
- on impairment	–	–	18,169	–	18,169	28	18,197
Tax on net movements	–	–	68,996	–	68,996	2,812	71,808
Actuarial losses on defined benefit plans	–	–	–	(7,011)	(7,011)	(1,230)	(8,241)
Exchange differences on translating foreign operations	–	–	–	(262,717)	(262,717)	(25,366)	(288,083)
Other comprehensive income of associates and joint ventures	–	–	5,718	(5,476)	242	(416)	(174)
Total other comprehensive income, net of tax	–	–	(229,323)	(275,204)	(504,527)	(40,959)	(545,486)
Total comprehensive income for the year	–	–	(229,323)	3,717,607	3,488,284	229,179	3,717,463
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	5,003	86,045	–	(91,048)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	2,669	2,669
Distributions and dividends to non-controlling interests	–	–	–	–	–	(206,112)	(206,112)
DSP reserve from dividends on unvested shares	–	–	–	3,579	3,579	–	3,579
Ordinary and preference dividends	–	–	–	(1,175,493)	(1,175,493)	–	(1,175,493)
Preference shares issued	1,000,000	–	–	–	1,000,000	–	1,000,000
Preference shares issue expense	(175)	–	–	–	(175)	–	(175)
Share-based staff costs capitalised	–	10,699	–	–	10,699	–	10,699
Share buyback held in treasury	(162,178)	–	–	–	(162,178)	–	(162,178)
Shares issued to non-executive directors	507	–	–	–	507	–	507
Shares purchased by DSP Trust	–	(3,644)	–	–	(3,644)	–	(3,644)
Shares vested under DSP Scheme	–	39,292	–	–	39,292	–	39,292
Treasury shares transferred/sold	87,246	(36,274)	–	–	50,972	–	50,972
Total contributions by and distributions to owners	930,403	96,118	–	(1,262,962)	(236,441)	(203,443)	(439,884)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(18,145)	(18,145)	51,546	33,401
Total changes in ownership interests in subsidiaries	–	–	–	(18,145)	(18,145)	51,546	33,401
Balance at 31 December 2012	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Included:							
Share of reserves of associates and joint ventures	–	–	5,702	45,297	50,999	(4,822)	46,177

An analysis of the movements in each component within 'Share capital', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2011	8,210,550	612,826	1,374,198	10,592,671	20,790,245	2,854,919	23,645,164
Total comprehensive income for the year							
Profit for the year	–	–	–	2,312,216	2,312,216	166,387	2,478,603
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(149,234)	–	(149,234)	(7,603)	(156,837)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(115,792)	–	(115,792)	(4,262)	(120,054)
- on impairment	–	–	(8,089)	–	(8,089)	249	(7,840)
Tax on net movements	–	–	23,771	–	23,771	2,107	25,878
Exchange differences on translating foreign operations	–	–	–	5,811	5,811	(8,317)	(2,506)
Other comprehensive income of associates and joint ventures	–	–	(186)	5,036	4,850	662	5,512
Total other comprehensive income, net of tax	–	–	(249,530)	10,847	(238,683)	(17,164)	(255,847)
Total comprehensive income for the year	–	–	(249,530)	2,323,063	2,073,533	149,223	2,222,756
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	12,464	(345,010)	–	332,546	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(187,570)	(187,570)
DSP reserve from dividends on unvested shares	–	–	–	3,749	3,749	–	3,749
Ordinary and preference dividends paid in cash	–	–	–	(275,030)	(275,030)	–	(275,030)
Share-based staff costs capitalised	–	9,881	–	–	9,881	–	9,881
Share buyback held in treasury	(92,131)	–	–	–	(92,131)	–	(92,131)
Shares issued in-lieu of ordinary dividends	824,296	–	–	(824,296)	–	–	–
Shares issued to non-executive directors	462	–	–	–	462	–	462
Shares purchased by DSP Trust	–	(3,772)	–	–	(3,772)	–	(3,772)
Shares vested under DSP Scheme	–	29,180	–	–	29,180	–	29,180
Treasury shares transferred/sold	67,277	(23,703)	–	–	43,574	–	43,574
Total contributions by and distributions to owners	812,368	(333,424)	–	(763,031)	(284,087)	(187,570)	(471,657)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(8,992)	(8,992)	2,750	(6,242)
Total changes in ownership interests in subsidiaries	–	–	–	(8,992)	(8,992)	2,750	(6,242)
Balance at 31 December 2011	9,022,918	279,402	1,124,668	12,143,711	22,570,699	2,819,322	25,390,021
Included:							
Share of reserves of associates and joint ventures	–	–	(16)	31,534	31,518	(3,993)	27,525

An analysis of the movements in each component within 'Share capital', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

Statement of Changes in Equity - Bank

For the financial year ended 31 December 2012

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2012	**9,022,918**	**90,289**	**510,394**	**7,721,619**	**17,345,220**
Total comprehensive income for the year [1]	**–**	**–**	**(189,025)**	**2,663,861**	**2,474,836**
Transfers	**5,003**	**(5,003)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**3,579**	**3,579**
Ordinary and preference dividends	**–**	**–**	**–**	**(1,175,493)**	**(1,175,493)**
Preference shares issued	**1,000,000**	**–**	**–**	**–**	**1,000,000**
Preference shares issue expense	**(175)**	**–**	**–**	**–**	**(175)**
Share-based staff costs capitalised	**–**	**10,699**	**–**	**–**	**10,699**
Share buyback held in treasury	**(162,178)**	**–**	**–**	**–**	**(162,178)**
Shares issued to non-executive directors	**507**	**–**	**–**	**–**	**507**
Treasury shares transferred/sold	**87,246**	**–**	**–**	**–**	**87,246**
Balance at 31 December 2012	**9,953,321**	**95,985**	**321,369**	**9,213,566**	**19,584,241**
Balance at 1 January 2011	8,210,550	432,498	605,849	6,605,466	15,854,363
Total comprehensive income for the year [1]	–	–	(95,455)	1,742,264	1,646,809
Transfers	12,464	(352,090)	–	339,626	–
Arising from merger of subsidiaries	–	–	–	129,840	129,840
DSP reserve from dividends on unvested shares	–	–	–	3,749	3,749
Ordinary and preference dividends paid in cash	–	–	–	(275,030)	(275,030)
Share-based staff costs capitalised	–	9,881	–	–	9,881
Share buyback held in treasury	(92,131)	–	–	–	(92,131)
Shares issued in-lieu of ordinary dividends	824,296	–	–	(824,296)	–
Shares issued to non-executive directors	462	–	–	–	462
Treasury shares transferred/sold	67,277	–	–	–	67,277
Balance at 31 December 2011	9,022,918	90,289	510,394	7,721,619	17,345,220

(1) Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within 'Share capital', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2012

In $'000	2012	2011
Cash flows from operating activities		
Profit before income tax	**4,961,861**	2,955,189
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**271,432**	221,406
Amortisation of intangible assets	**59,903**	61,337
Change in fair value for hedging transactions and trading securities	**(90,314)**	69,498
Depreciation of property, plant and equipment and investment property	**184,197**	166,437
Net gain on disposal of government, debt and equity securities	**(1,350,927)**	(120,054)
Net gain on disposal of property, plant and equipment and investment property	**(81,678)**	(42,722)
Net gain on disposal/liquidation of subsidiaries and associates	**–**	(977)
Share-based staff costs	**10,119**	10,223
Share of results of associates and joint ventures	**(26,566)**	(7,166)
Items relating to life assurance fund		
Surplus before income tax	**999,920**	531,744
Surplus transferred from life assurance fund	**(691,719)**	(382,528)
Operating profit before change in operating assets and liabilities	**4,246,228**	3,462,387
Change in operating assets and liabilities:		
Deposits of non-bank customers	**10,573,665**	31,293,835
Deposits and balances of banks	**4,002,342**	5,144,768
Derivative payables and other liabilities	**(959,673)**	2,157,244
Trading portfolio liabilities	**(571,706)**	(79,213)
Government securities and treasury bills	**(1,586,576)**	(3,115,640)
Trading securities	**34,164**	(272,069)
Placements with and loans to banks	**(1,811,345)**	(10,659,563)
Loans and bills receivable	**(9,030,225)**	(28,789,318)
Derivative receivables and other assets	**611,649**	(1,377,593)
Net change in investment assets and liabilities of life assurance fund	**(89,638)**	58,894
Cash from/(used in) operating activities	**5,418,885**	(2,176,268)
Income tax paid	**(639,797)**	(409,296)
Net cash from/(used in) operating activities	**4,779,088**	(2,585,564)
Cash flows from investing activities		
Dividends from associates	**7,740**	6,226
Decrease/(increase) in associates and joint ventures	**29,750**	(106,787)
Net cash outflow from acquisition of a subsidiary/business	**(11,878)**	(103,657)
Purchases of debt and equity securities	**(5,694,795)**	(6,371,047)
Purchases of property, plant and equipment and investment property	**(303,234)**	(250,890)
Proceeds from disposal of an associate	**–**	1,776
Proceeds from disposal of debt and equity securities	**6,706,526**	4,798,321
Proceeds from disposal of interest in a subsidiary	**–**	82,006
Proceeds from disposal of property, plant and equipment and investment property	**127,484**	48,606
Net cash from/(used in) investing activities	**861,593**	(1,895,446)
Cash flows from financing activities		
Changes in non-controlling interests	**33,401**	(6,242)
Redemption of subordinated debt issued	**(385,356)**	(2,466,829)
Issue of subordinated debt	**1,471,903**	399,025
(Decrease)/increase in other debt issued	**(2,572,383)**	8,468,543
Dividends paid to equity holders of the Bank	**(1,173,089)**	(275,030)
Distributions and dividends paid to non-controlling interests	**(206,112)**	(187,570)
Net proceeds from issue of preference shares	**999,825**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**50,972**	43,574
Share buyback held in treasury	**(162,178)**	(92,131)
Net cash (used in)/from financing activities	**(1,943,017)**	5,883,340
Net currency translation adjustments	**(197,436)**	1,384
Net change in cash and cash equivalents	**3,500,228**	1,403,714
Cash and cash equivalents at 1 January	**12,896,605**	11,492,891
Cash and cash equivalents at 31 December	**16,396,833**	12,896,605

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 14 February 2013.

1. GENERAL

Oversea-Chinese Banking Corporation Limited ("the Bank") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Bank's registered office is 65 Chulia Street, #09-00 OCBC Centre, Singapore 049513.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint ventures. The Group is principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act (the "Act") including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore ("MAS").

The financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.23.

The following revised financial reporting standards and interpretations were applied with effect from 1 January 2012:

- FRS 12 (Amendments) *Deferred Tax: Recovery of Underlying Assets*
- FRS 107 (Amendments) *Disclosures: Transfers of Financial Assets*

The initial application of the above standards (including their consequential amendments) and interpretations does not have any material impact on the Group's financial statements.

2.2 Basis of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Bank, directly or indirectly, has power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Bank controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the date of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Bank to the date that control ceases. In preparing the consolidated financial statements, intra-group transactions, balances and unrealised gains on transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests represent the portion of net results of operations and of net assets in subsidiaries that do not belong to equity holders of the Bank. They are disclosed separately in the Group income statement and balance sheet accordingly.

2.2.2 Special purpose entities

Special purpose entities ("SPE") which are established for a narrow and well-defined objective are consolidated where the substance of the relationship indicates that the Group has control over the SPE notwithstanding that the Group holds little or no equity interest in the SPE.

2.2.3 Associates and joint ventures

Associates are entities over which the Bank has significant influence, but not control, generally accompanied by a shareholding of 20% to 50% of the voting rights. Joint ventures are entities which are jointly controlled by the Group and its joint venture partners. The parties involved have entered into a contractual arrangement to undertake an economic activity and none of them unilaterally has control over the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, and include goodwill identified on acquisition, where applicable. Certain entities in which the Group had total shareholdings of between 20% and 50% were excluded from equity accounting because investments in the Life Funds of Great Eastern Holdings Limited were not included in determining associates.

Equity accounting involves recording investments in associates and joint ventures initially at cost, adjusted thereafter for post-acquisition changes of the Group's share of the net assets of the associates and joint ventures until the date the significant influence or joint control ceases. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

2.2.3 Associates and joint ventures (continued)

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

2.2.4 Life assurance companies

Certain subsidiaries of the Group engaged in life assurance business are structured into one or more long-term life assurance funds, and shareholders' fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the life assurance funds. The amount distributed to shareholders is reported as "Profit from life assurance" in the consolidated income statement.

2.2.5 Accounting for subsidiaries and associates by the Bank

Investments in subsidiaries and associates are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

2.3 Currency translation

2.3.1 Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve within equity.

2.3.2 Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollar at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences arising from the translation of a foreign operation are recognised in other comprehensive income and presented in the currency translation reserve within equity. When a foreign operation is disposed, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

2.4 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances and placements with central banks.

2.5 Financial instruments

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention are recognised on the settlement date.

2.5.2 De-recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2.5.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

2.5.4 Sale and repurchase agreements (including securities lending and borrowing)

Repurchase agreements ("repos") are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

Securities lending and borrowing transactions are generally secured, with collateral taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral advanced or received is recorded as an asset or a liability respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Non-derivative financial assets

Non-derivative financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at acquisition cost and subsequently measured at amortised cost using the effective interest method, less impairment allowance.

2.6.2 Available-for-sale financial assets

Available-for-sale financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

At the balance sheet date, the Group recognises unrealised gains and losses on revaluing unsettled contracts in other comprehensive income. Upon settlement, available-for-sale assets are carried at fair value (including transaction costs) on the balance sheet, with cumulative fair value changes taken to other comprehensive income and presented in fair value reserve within equity, and recognised in the income statement when the asset is disposed of, collected or otherwise sold, or when the asset is assessed to be impaired.

The fair value for quoted investments is derived from market bid prices. For unquoted securities, fair value is determined based on quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants.

2.6.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term.

At the balance sheet date, unrealised profits and losses on revaluing unsettled contracts are recognised in the income statement. Upon settlement, these assets are carried at fair value on the balance sheet, with subsequent fair value changes recognised in the income statement.

Fair value is derived from quoted market bid prices. All realised and unrealised gains and losses are included in net trading income in the income statement. Interest earned whilst holding trading assets is included in interest income.

2.6.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss.

2.7 Derivative financial instruments

All derivative financial instruments are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes, and the realised and unrealised gains and losses are recognised in the income statement. The Group also enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies either fair value or cash flow hedge accounting when the transactions meet the specified criteria for hedge accounting.

For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying value of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is taken to the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve remain in equity until the forecasted transaction is recognised in the income statement. When the forecasted transaction is no longer expected to occur, the amounts accumulated in the hedge reserve is immediately transferred to the income statement.

For hedges of net investments in foreign operations which are accounted in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	-	5 to 10 years
Office equipment	-	5 to 10 years
Computers	-	3 to 10 years
Renovation	-	3 to 5 years
Motor vehicles	-	5 years

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

2.9 Investment property

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group's life assurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

Investment property held under the Group's life assurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

2.10 Goodwill and intangible assets

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of the acquiree. Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The useful life of an intangible asset is reviewed at least at each financial year end.

2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of assets

Financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.12.1 Loans and receivables/financial assets carried at amortised cost

Loans are assessed for impairment on a loan-by-loan basis except for homogeneous loans below a certain materiality threshold, which are grouped together according to their risk characteristics and collectively assessed, taking into account the historical loss experience on such loans.

A specific allowance is established when the present value of recoverable cash flows for a loan is lower than the carrying value of the loan. Portfolio allowances are set aside for unimpaired loans based on portfolio and country risks, as well as industry practices.

Specific allowances are written back to the income statement when the loans are no longer impaired or when the loss on loan is determined to be less than the amount of specific allowance previously made. Loans are written-off when recovery action has been instituted and the loss can be reasonably determined.

2.12.2 Other non-derivative financial assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying value and the estimated recoverable amount. For equity investments classified as available-for-sale, when there is a significant or prolonged decline in the fair value of the asset below its cost, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt investments, reversal of impairment loss is recognised in the income statement.

Other assets

2.12.3 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units ("CGU") expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its fair value less cost to sell and its value in use. Impairment loss on goodwill cannot be reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of assets (continued)

2.12.4 Investments in subsidiaries and associates
Property, plant and equipment
Investment property
Intangible assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on the balance sheet date or whenever there is any indication that the carrying value of an asset may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use).

The impairment loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.13 Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

2.14 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the liabilities are held at fair value through profit or loss. Financial liabilities are held at fair value through the income statement when:

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;

(b) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or

(c) the financial liability contains an embedded derivative that would need to be separately recorded.

2.15 Provisions and other liabilities

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective Life Assurance Sales Representative's Agreements. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries after the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 Insurance contracts

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of Great Eastern Holdings Limited ("GEH"), has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life Assurance Fund contract liabilities, comprising
- Participating Fund contract liabilities;
- Non-participating Fund contract liabilities; and
- Investment-linked Fund contract liabilities.

(b) General Insurance Fund contract liabilities

(c) Reinsurance contracts

The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

Life Assurance Fund contract liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance funds.

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating policy, appropriate level of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment-linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group would include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and
(b) Malaysia Insurance Act and Regulations 1996 and Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

The Group issues investment-linked contracts as insurance contracts which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment-linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract, it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies as stated under the terms and conditions of the insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	Singapore	Malaysia
Valuation method [1]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) For guaranteed cashflows, Malaysia Government Securities ("MGS") zero coupon spot yields (as outlined below).
Interest rate [1] [2]	(i) Singapore Government Securities ("SGS") zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30-year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. *Data source: MAS website and Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Best estimates plus provision for adverse deviation ("PADs"). *Data source: Internal experience studies*	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows); and (ii) Best estimates plus provision for risk of adverse deviation ("PRADs") for guaranteed cashflows only. Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus PRADs. *Data source: Internal experience studies*

[1] Refer to Note 2.23 on Critical accounting estimates and judgements.
[2] These interest rates are with reference to the latest available MAS Regulations on Valuation of Policy Liabilities of Life Business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

General Insurance Fund contract liabilities

The Group issues short term property and casualty contracts which protect the policyholders against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other receivables. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial projection techniques based on empirical data and the current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income.

The valuation of general insurance contract liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local insurance regulations, the provision for adverse deviation is set at 75 per cent sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, and the Incurred Bornhuetter-Ferguson Method. For Malaysia, the valuation methods used include the Link Ratio Method, the Bornhuetter-Ferguson Method and the Loss Ratio Method.

Reinsurance contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.17 Unexpired risk reserve

The Unexpired Risk Reserve ("URR") represents the unearned portion of written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the balance sheet date. The change in provision for unearned premium is taken to the income statements in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the $1/24^{th}$ method and is reduced by the corresponding percentage of gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the insurance entity operates.

2.18 Share capital and dividend

Ordinary shares, non-voting non-convertible and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity on the balance sheet.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Treasury shares which are subsequently reissued, sold or cancelled, are recognised as changes in equity.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the year in which they are declared payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by shareholders at the annual general meeting.

2.19 Recognition of income and expense

2.19.1 Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount. When calculating the effective interest rate, significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts, are considered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.1 Interest income and expense (continued)

For impaired financial assets, interest income is recognised on the carrying amount based on the original effective interest rate of the financial asset.

2.19.2 Profit from life assurance

Profit from life assurance business derived from the insurance funds is categorised as follows:

(a) Participating Fund
Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, based on the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund). Parameters for the valuation are set out in the insurance regulations governing the Group's insurance subsidiaries in the respective jurisdictions in which they operate. The provisions in the Articles of Association of the Group's insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholders' bonus and correspondingly the profits to shareholders to be distributed out of the participating fund are approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary, in accordance with the Insurance Regulations and the Articles of Association of the respective subsidiary.

(b) Non-participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed by the appropriate insurance regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue, expenses, and the annual actuarial valuation of the non-participating fund liabilities in accordance with the requirements of the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

(c) Investment-linked Fund
Revenue comprises bid-ask spread, fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the insurance regulations, in respect of the non-unit-linked part of the fund.

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

2.19.3 Premium income from general insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the unexpired risk reserve (Note 2.17). Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from general insurance contracts are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods after the balance sheet date are adjusted through the movement in unexpired risk reserve.

2.19.4 Fees and commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are netted off against gross fees and commissions in the income statement.

2.19.5 Dividends

Dividends from available-for-sale securities, subsidiaries and associates are recognised when the right to receive payment is established. Dividends from trading securities are recognised when received.

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the tenancy agreements.

2.19.7 Employee benefits

The Group's compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, defined benefit plans, commissions, cash bonuses, and share-based compensation plans. These are recognised in the income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on the balance sheet date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

Share-based compensation plans include the Bank's Share Option Schemes, the Employee Share Purchase Plan ("ESP Plan") and the Deferred Share Plan ("DSP"). Equity instruments granted are recognised as expense in the income statement based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.7 Employee benefits (continued)

At each balance sheet date, the Group revises its estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The Group accrues for interest on the monthly contributions made by employees to the savings-based ESP Plan. For the DSP, a trust is set up to administer the shares. The DSP Trust is consolidated in the Group's financial statements.

Proceeds received upon the exercise of options and acquisition rights, net of any directly attributable transaction costs, are credited to share capital.

2.19.8 Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The expense is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.20 Income tax expense

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation against the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

2.22 Segment reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

2.23 Critical accounting estimates and judgements

Certain estimates are made in the preparation of the financial statements. These often require management judgement in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

2.23.1 Liabilities of insurance business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is one of the Group's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

At each balance sheet date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Critical accounting estimates and judgements (continued)

2.23.1 Liabilities of insurance business (continued)

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

2.23.2 Impairment of goodwill and intangible assets

The Group performs an annual review of the carrying value of its goodwill and intangible assets, against the recoverable amounts of the CGU to which the goodwill and intangible assets have been allocated. Recoverable amounts of CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

2.23.3 Fair value estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is amortised over the life of the transaction, released when the instrument's fair value can be determined using market observable inputs, or when the transaction is derecognised.

2.23.4 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses in estimating the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

2.23.5 Impairment of loans

The Group assesses impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collateral, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans. The portfolio allowances set aside for unimpaired loans are based on management's credit experiences and judgement, taking into account geographical and industry factors. A minimum 1% portfolio allowance is maintained by the Group in accordance with the transitional arrangement set out in MAS Notice 612. The assumptions and judgements used by management may affect these allowances.

2.23.6 Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining when an investment is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2.23.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date, these insurance risks are deemed not significant.

3. NET INTEREST INCOME

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Interest income				
Loans to non-bank customers [1]	**4,173,179**	3,675,623	**2,324,664**	2,022,344
Placements with and loans to banks [1]	**961,844**	849,715	**599,692**	501,243
Other interest-earning assets	**832,512**	794,653	**517,035**	546,159
	5,967,535	5,319,991	**3,441,391**	3,069,746
Interest expense				
Deposits of non-bank customers [1]	**(1,715,251)**	(1,443,436)	**(642,750)**	(563,128)
Deposits and balances of banks [1]	**(188,696)**	(186,713)	**(211,603)**	(190,950)
Other borrowings	**(315,844)**	(279,420)	**(335,823)**	(299,523)
	(2,219,791)	(1,909,569)	**(1,190,176)**	(1,053,601)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**5,788,795**	5,131,372	**3,297,928**	2,910,895
Income – Assets at fair value through profit or loss	**178,740**	188,619	**143,463**	158,851
Expense – Liabilities not at fair value through profit or loss	**(2,193,167)**	(1,862,086)	**(1,163,552)**	(1,006,118)
Expense – Liabilities at fair value through profit or loss	**(26,624)**	(47,483)	**(26,624)**	(47,483)
Net interest income	**3,747,744**	3,410,422	**2,251,215**	2,016,145

(1) Comparatives have been restated to conform to current year's presentation.

Included in interest income were interest on impaired assets of $8.2 million (2011: $6.7 million) and $6.3 million (2011: $2.5 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP 2012 $ million	GROUP 2011 $ million
Income		
Annual	**4,960.0**	4,553.2
Single	**1,408.2**	1,657.9
Gross premiums	**6,368.2**	6,211.1
Reinsurances	**(113.7)**	(104.8)
Premium income (net)	**6,254.5**	6,106.3
Investment income (net)	**4,245.6**	1,675.5
Total income	**10,500.1**	7,781.8
Expenses		
Gross claims, surrenders and annuities	**(5,437.4)**	(4,580.3)
Claims, surrenders and annuities recovered from reinsurers	**61.0**	49.6
Net claims, surrenders and annuities	**(5,376.4)**	(4,530.7)
Change in life assurance fund contract liabilities (Note 22)	**(3,065.9)**	(1,697.4)
Commission and agency expenses	**(706.7)**	(664.4)
Depreciation – property, plant and equipment (Note 35)	**(46.7)**	(45.1)
Other expenses [1]	**(344.3)**	(309.3)
Total expenses	**(9,540.0)**	(7,246.9)
Surplus from operations	**960.1**	534.9
Share of results of associates and joint ventures	**39.8**	(3.2)
Income tax expense	**(308.2)**	(149.2)
Profit from life assurance	**691.7**	382.5

(1) Included in other expenses were directors' emoluments of $4.4 million (2011: $3.1 million).

Profit from life assurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fee and commission income	**1,255,225**	1,200,407	**712,540**	677,390
Fee and commission expense	**(56,975)**	(63,280)	**(28,703)**	(30,870)
Fees and commissions (net)	**1,198,250**	1,137,127	**683,837**	646,520
Analysed by major sources:				
Brokerage	**60,031**	68,621	**385**	539
Credit card	**50,938**	48,181	**51,997**	45,991
Fund management	**85,826**	100,789	**(280)**	(533)
Guarantees	**17,651**	21,256	**12,815**	15,860
Investment banking	**90,988**	95,167	**70,241**	74,437
Loan-related	**251,159**	215,995	**214,929**	179,850
Service charges	**78,411**	93,956	**54,059**	77,175
Trade-related and remittances	**212,615**	208,141	**161,219**	156,883
Wealth management	**322,022**	252,352	**111,207**	92,307
Others	**28,609**	32,669	**7,265**	4,011
	1,198,250	1,137,127	**683,837**	646,520

6. DIVIDENDS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Subsidiaries	**–**	–	**429,802**	303,351
Associates	**–**	–	**7,740**	6,226
Trading securities	**4,319**	14,308	**4,053**	4,313
Available-for-sale securities	**83,914**	73,740	**27,730**	25,293
	88,233	88,048	**469,325**	339,183

7. OTHER INCOME

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Foreign exchange [1]	**249,356**	372,236	**107,032**	236,268
Hedging activities [2]				
Hedging instruments	**49,769**	(130,442)	**55,817**	(126,837)
Hedged items	**(51,762)**	133,246	**(57,484)**	130,053
Fair value hedges	**(1,993)**	2,804	**(1,667)**	3,216
Interest rate and other derivatives [3]	**37,848**	(199,059)	**48,473**	(170,110)
Trading and fair value through profit and loss securities	**226,736**	41,123	**129,605**	68,702
Others	**2,741**	–	**2,741**	–
Net trading income	**514,688**	217,104	**286,184**	138,076
Disposal of securities classified as available-for-sale	**1,350,925**	120,054	**810,843**	77,461
Disposal of securities classified as loans and receivables	**2**	–	**2**	–
Disposal/liquidation of subsidiaries and associates	**–**	977	**–**	625
Disposal of plant and equipment	**482**	17	**(120)**	(276)
Disposal of property	**81,196**	42,705	**15,035**	40,952
Computer-related services income	**34,745**	30,480	**–**	–
Property-related income	**8,941**	9,976	**478**	425
Others	**26,284**	20,152	**20,988**	14,141
	2,017,263	441,465	**1,133,410**	271,404

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
(2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".
(3) "Interest rate and other derivatives" include gains and losses from interest rate, equity options and other derivative instruments.

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
8.1 Staff costs				
Salaries and other costs	**1,486,003**	1,308,260	**609,650**	522,838
Share-based expenses	**9,612**	9,761	**6,046**	6,374
Contribution to defined contribution plans	**124,488**	100,010	**49,733**	36,386
	1,620,103	1,418,031	**665,429**	565,598
Directors' emoluments:				
Remuneration of Bank's directors [1]	**4,532**	8,785	**4,502**	8,762
Remuneration of directors of subsidiaries	**17,411**	14,685	**–**	–
Fees of Bank's directors [1]	**5,535**	4,220	**3,508**	2,329
Fees of directors of subsidiaries	**2,039**	2,460	**–**	–
	29,517	30,150	**8,010**	11,091
Total staff costs	**1,649,620**	1,448,181	**673,439**	576,689
8.2 Other operating expenses				
Property, plant and equipment: [2]				
Depreciation	**184,197**	166,437	**95,924**	90,962
Maintenance and hire	**86,872**	75,179	**35,518**	28,785
Rental expenses	**69,659**	67,416	**63,924**	70,382
Others	**149,932**	141,941	**57,583**	56,865
	490,660	450,973	**252,949**	246,994
Auditors' remuneration				
Payable to auditors of the Bank	**1,864**	1,707	**1,150**	1,155
Payable to associated firms of auditors of the Bank	**1,079**	906	**280**	261
Payable to other auditors	**1,248**	1,548	**28**	159
	4,191	4,161	**1,458**	1,575
Other fees				
Payable to auditors of the Bank	**1,807**	474	**1,178**	442
Payable to associated firms of auditors of the Bank	**291**	334	**182**	199
	2,098	808	**1,360**	641
Hub processing charges	**–**	–	**183,576**	162,459
General insurance claims	**75,223**	57,669	**–**	–
Others	**472,950**	468,120	**273,026**	253,751
	548,173	525,789	**456,602**	416,210
Total other operating expenses	**1,045,122**	981,731	**712,369**	665,420
8.3 Staff costs and other operating expenses	**2,694,742**	2,429,912	**1,385,808**	1,242,109

(1) Comparatives have been restated to conform to current year's presentation.

(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $13.4 million (2011: $14.8 million) and $4.0 million (2011: $4.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $4.0 million (2011: $1.2 million) and $3.4 million (2011: $0.9 million) respectively.

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Specific allowances for loans (Note 28)	**115,222**	79,038	**92,745**	60,709
Portfolio allowances for loans (Note 29)	**147,598**	127,364	**87,778**	72,528
Impairment charge/(write-back) for available-for-sale securities	**5,505**	(36)	**–**	(8,993)
Write-back for collateralised debt obligations (CDOs)	**(152)**	(1,054)	**(287)**	(1,054)
Impairment charge for other assets (Note 32)	**3,259**	16,094	**605**	3,442
Net allowances and impairment	**271,432**	221,406	**180,841**	126,632

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current tax expense	**756,608**	526,190	**344,788**	237,888
Deferred tax (credit)/expense (Note 20)	**(18,756)**	(7,203)	**(12,221)**	3,266
	737,852	518,987	**332,567**	241,154
Over provision in prior years and tax refunds	**(38,940)**	(42,401)	**(26,024)**	(40,289)
Charge to income statements	**698,912**	476,586	**306,543**	200,865

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Operating profit after allowances and amortisation	**4,935,295**	2,948,023	**3,002,563**	1,935,512
Prima facie tax calculated at tax rate of 17%	**839,000**	501,164	**510,436**	329,037
Effect of different tax rates in other countries	**111,697**	102,686	**23,251**	19,908
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**3,695**	2,181	**1,105**	296
Income not assessable for tax	**(172,480)**	(40,035)	**(206,758)**	(64,558)
Income taxed at concessionary rate	**(60,137)**	(57,042)	**(54,783)**	(54,173)
Effect of Singapore life assurance fund	**(62,305)**	(15,815)	**–**	–
Amortisation of intangibles	**10,183**	10,427	**–**	–
Non-deductible allowances/(non-taxable write-backs)	**18,663**	(9,152)	**9,718**	3
Others	**49,536**	24,573	**49,598**	10,641
	737,852	518,987	**332,567**	241,154
The deferred tax (credit)/expense comprised:				
Accelerated tax depreciation	**13,371**	6,398	**6,332**	6,246
Write-back of allowances for assets	**(26,099)**	(19,462)	**(13,949)**	(590)
Debt and equity securities	**(1,571)**	2,916	**–**	–
Fair value on properties from business combinations	**(2,499)**	(1,676)	**(2,230)**	(1,692)
Tax losses utilised	**6,232**	2,070	**–**	–
Others	**(8,190)**	2,551	**(2,374)**	(698)
	(18,756)	(7,203)	**(12,221)**	3,266

11. EARNINGS PER SHARE

	GROUP 2012	GROUP 2011
$'000		
Profit attributable to ordinary equity holders of the Bank	**3,992,811**	2,312,216
Preference dividends declared in respect of the period	**(108,207)**	(90,125)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**3,884,604**	2,222,091
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,435,065**	3,377,218
Adjustment for assumed conversion of share options and acquisition rights	**6,809**	9,015
For diluted earnings per share	**3,441,874**	3,386,233
Earnings per share (cents)		
Basic	**113.1**	65.8
Diluted	**112.9**	65.6

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. UNAPPROPRIATED PROFIT

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Profit attributable to equity holders of the Bank	**3,992,811**	2,312,216	**2,696,020**	1,734,647
Add: Unappropriated profit at 1 January	**11,354,893**	9,814,663	**6,741,859**	5,763,210
Total amount available for appropriation	**15,347,704**	12,126,879	**9,437,879**	7,497,857
Appropriated as follows:				
Ordinary dividends:				
2010 final tax exempt dividend of 15 cents	**–**	(500,890)	**–**	(500,890)
2011 interim tax exempt dividend of 15 cents	**–**	(508,311)	**–**	(508,311)
2011 final tax exempt dividend of 15 cents	**(516,097)**	–	**(516,097)**	–
2012 interim tax exempt dividend of 16 cents	**(549,524)**	–	**(549,524)**	–
Preference dividends:				
Class B 5.1% tax exempt (2011: 5.1% tax exempt)	**(51,140)**	(51,000)	**(51,140)**	(51,000)
Class E 4.5% tax exempt (2011: 4.5% tax exempt)	**(24,966)**	(22,500)	**(24,966)**	(22,500)
Class G 4.2% tax exempt (2011: 4.2% tax exempt)	**(16,670)**	(16,625)	**(16,670)**	(16,625)
Class M 4.0% tax exempt	**(17,096)**	–	**(17,096)**	–
Transfer (to)/from:				
Capital reserves (Note 14)	**(91,048)**	332,546	**–**	339,626
Currency translation reserves (Note 15.2)	**–**	17	**–**	–
General reserves (Note 15.1)	**4,717**	3,702	**4,717**	3,702
Fair value reserves	**–**	67	**–**	–
Transactions with non-controlling interests	**(18,145)**	(8,992)	**–**	–
Actuarial losses on defined benefit plans	**(7,011)**	–	**–**	–
Share of an associate's non-controlling interests	**35**	–	**–**	–
	(1,286,945)	(771,986)	**(1,170,776)**	(755,998)
At 31 December (Note 15)	**14,060,759**	11,354,893	**8,267,103**	6,741,859

At the annual general meeting to be held, a final tax exempt dividend of 17 cents per ordinary share in respect of the financial year ended 31 December 2012, totalling $583.3 million, will be proposed. The dividends will be accounted for as a distribution in the 2013 financial statements.

13. SHARE CAPITAL

13.1 Share capital

GROUP AND BANK	2012 Shares ('000)	2011 Shares ('000)	2012 $'000	2011 $'000
Ordinary shares				
At 1 January	**3,441,044**	3,341,046	**7,261,730**	6,424,508
Preference shares issue expense	**–**	–	**(175)**	–
Shares issued in-lieu of ordinary dividends	**–**	99,950	**–**	824,296
Shares issued to non-executive directors	**56**	48	**507**	462
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**5,003**	12,464
At 31 December	**3,441,100**	3,441,044	**7,267,065**	7,261,730
Treasury shares				
At 1 January	**(3,967)**	(3,270)	**(134,643)**	(109,789)
Share buyback	**(18,242)**	(10,078)	**(162,178)**	(92,131)
Share Option Schemes	**6,248**	2,723	**54,649**	25,283
Share Purchase Plan	**1,716**	4,071	**14,839**	38,093
Treasury shares transferred to DSP Trust	**4,086**	2,587	**36,274**	23,703
Loss on treasury shares transferred/sold	**–**	–	**(18,516)**	(19,802)
At 31 December	**(10,159)**	(3,967)	**(209,575)**	(134,643)
Preference shares				
At 1 January				
Class B	**10,000**	10,000	**1,000,000**	1,000,000
Class E	**5,000**	5,000	**500,000**	500,000
Class G	**395,831**	395,831	**395,831**	395,831
			1,895,831	1,895,831
Class M shares issued during the year	**1,000,000**	–	**1,000,000**	–
At 31 December			**2,895,831**	1,895,831
Issued share capital, at 31 December			**9,953,321**	9,022,918

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

Details of the Bank's non-cumulative non-convertible preference shares are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

The issued ordinary shares and Class B, Class E, Class G and Class M non-cumulative non-convertible preference shares qualify as Tier 1 capital for the Group. The 4.5% Class E non-cumulative non-convertible preference shares have been fully redeemed by the Bank on 28 January 2013.

All issued shares are fully paid.

Preference shares	Date of issue	Dividend rate p.a	Liquidation value per share	Redemption option by the Bank on these dates
Class B	29 Jul 2008	5.1%	SGD100	29 Jul 2013; dividend payment dates after 29 Jul 2013
Class E	28 Jan 2003	4.5%	SGD100	28 Jan 2013; dividend payment dates after 28 Jan 2013
Class G	14 Jul 2003	4.2%	SGD1	14 Jul 2013; dividend payment dates after 14 Jul 2013
	6 Aug 2003			
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2012 and 31 December 2011.

13. SHARE CAPITAL (continued)

13.2 Share option schemes

In March 2012, the Bank granted 5,019,795 options (2011: 2,824,281) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 340,924 (2011: 326,302) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $7.0 million (2011: $4.1 million). Significant inputs to the valuation model are set out below:

	2012	**2011**
Acquisition price ($)	**8.80**	9.35
Average share price from grant date to acceptance date ($)	**8.89**	9.40
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**20.53**	18.26
Risk-free rate based on SGS bond yield at acceptance date (%)	**0.56 and 1.61**	1.11 and 2.45
Expected dividend yield (%)	**3.38**	3.09
Exercise multiple (times)	**1.57**	1.57
Option life (years)	**5 and 10**	5 and 10

Movements in the number of options and the average acquisition prices are as follows:

	2012		**2011**	
	Number of options	**Average price**	**Number of options**	**Average price**
At 1 January	**32,836,463**	**$6.610**	33,106,004	$6.344
Granted	**5,019,795**	**$8.798**	2,824,281	$9.350
Exercised	**(6,345,672)**	**$5.789**	(2,824,850)	$6.090
Forfeited/lapsed	**(599,801)**	**$7.281**	(268,972)	$8.165
At 31 December	**30,910,785**	**$7.121**	32,836,463	$6.610
Exercisable options at 31 December	**23,242,461**	**$6.527**	26,851,822	$6.276
Average share price underlying the options exercised		**$9.009**		$9.311

At 31 December 2012, the weighted average remaining contractual life of outstanding share options was 4.9 years (2011: 4.6 years). The aggregate outstanding number of options held by directors of the Bank was 4,452,711 (2011: 4,451,787).

13.3 Employee share purchase plan

In June 2012, the Bank launched its seventh offering of ESP Plan for Group employees, which commenced on 1 July 2012 and expire on 30 June 2014. Under the offering, the Bank granted 7,788,738 (2011: 6,721,866) rights to acquire ordinary shares in the Bank. There were no rights (2011: 3,908) granted to directors of the Bank. The fair value of rights, determined using the binomial valuation model was $7.0 million (2011: $5.0 million). Significant inputs to the valuation model are set out below:

	2012	**2011**
Acquisition price ($)	**8.68**	9.21
Closing share price at valuation date ($)	**8.70**	9.03
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**20.59**	16.70
Risk-free rate based on 2-year swap rate (%)	**0.15**	0.68
Expected dividend yield (%)	**2.76**	2.57

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2012		**2011**	
	Number of acquisition rights	**Average price**	**Number of acquisition rights**	**Average price**
At 1 January	**10,524,336**	**$9.021**	9,158,682	$7.826
Exercised and conversion upon expiry	**(1,714,720)**	**$8.800**	(4,072,737)	$6.356
Forfeited	**(4,306,191)**	**$8.863**	(1,283,475)	$7.306
Subscription	**7,788,738**	**$8.680**	6,721,866	$9.210
At 31 December	**12,292,163**	**$8.892**	10,524,336	$9.021
Average share price underlying acquisition rights exercised/converted		**$9.185**		$9.523

At 31 December 2012, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2011: 1.1 years). The aggregate outstanding number of rights held by a director of the Bank was nil (2011: 8,022).

13. SHARE CAPITAL (continued)

13.4 Deferred share plan

Total awards of 4,508,997 (2011: 3,288,428) ordinary shares (including 380,789 (2011: 391,349) ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2012. The fair value of the shares at grant date was $40.2 million (2011: $30.1 million).

During the year, 5,389,002 (2011: 4,293,824) deferred shares were released to employees, of which 520,653 (2011: 237,619) were released to directors of the Bank. At 31 December 2012, the directors of the Bank have deemed interest of 1,195,184 (2011: 1,294,243) deferred shares.

14. CAPITAL RESERVES

	GROUP		BANK	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
At 1 January	**279,402**	612,826	**90,289**	432,498
Share-based staff costs capitalised	**10,699**	9,881	**10,699**	9,881
Shares purchased by DSP Trust	**(39,918)**	(27,475)	**–**	–
Shares vested under DSP Scheme	**39,292**	29,180	**–**	–
Transfer from/(to) unappropriated profit (Note 12)	**91,048**	(332,546)	**–**	(339,626)
Transfer to share capital (Note 13.1)	**(5,003)**	(12,464)	**(5,003)**	(12,464)
At 31 December	**375,520**	279,402	**95,985**	90,289

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. For banking entities operating in Singapore, the requirement to set aside statutory reserves was spelt out in section 22(1) of the Banking Act (Cap. 19). This section was repealed with effect from 31 March 2007 and no further transfer of profits to statutory reserves is required. Under the Banking (Reserve Fund) (Transitional Provision) Regulation 2007, the Bank may distribute or utilise its statutory reserves, subject to a cap of 20% of the reserve fund as of 30 March 2007, for each calendar year. As at 31 December 2011, there was no statutory reserve remaining in the Group's banking entities operating in Singapore.

Other capital reserves include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. REVENUE RESERVES

	GROUP		BANK	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Unappropriated profit (Note 12)	**14,060,759**	11,354,893	**8,267,103**	6,741,859
General reserves	**1,327,161**	1,328,299	**1,112,861**	1,113,999
Currency translation reserves	**(807,709)**	(539,481)	**(166,398)**	(134,239)
At 31 December	**14,580,211**	12,143,711	**9,213,566**	7,721,619

15.1 General reserves

At 1 January	**1,328,299**	1,328,252	**1,113,999**	984,112
Arising from merger of subsidiaries	**–**	–	**–**	129,840
DSP reserve from dividends on unvested shares	**3,579**	3,749	**3,579**	3,749
Transfer to unappropriated profits (Note 12)	**(4,717)**	(3,702)	**(4,717)**	(3,702)
At 31 December	**1,327,161**	1,328,299	**1,112,861**	1,113,999

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

15. REVENUE RESERVES (continued)

15.2 Currency translation reserves

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
At 1 January	**(539,481)**	(550,244)	**(134,239)**	(141,856)
Adjustments for the year	**(407,162)**	24,069	**(40,223)**	6,860
Effective portion of hedge	**138,934**	(13,289)	**8,064**	757
Transfer to unappropriated profits (Note 12)	**–**	(17)	**–**	–
At 31 December	**(807,709)**	(539,481)	**(166,398)**	(134,239)

Currency translation reserves comprise exchange differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

16. NON-CONTROLLING INTERESTS

	GROUP 2012 $'000	GROUP 2011 $'000
Non-controlling interests in subsidiaries	**836,766**	755,570
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**159,838**	163,752
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total non-controlling interests	**2,896,604**	2,819,322

OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), a wholly-owned subsidiary of the Bank, issued the MYR400 million non-cumulative non-convertible preference shares on 12 August 2005. The preference shares are redeemable in whole at the option of OCBC Malaysia on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCBC Malaysia, are payable semi-annually on 20 March and 20 September each year at 4.51% per annum on a net dividend basis on or prior to the 10th anniversary, and thereafter at a floating rate per annum based on the 6-month Kuala Lumpur Interbank Offer Rate plus 1.90% less prevailing Malaysian corporate tax if the redemption option is not exercised.

OCBC Capital Corporation ("OCC"), a wholly-owned subsidiary of the Bank, issued the $400 million non-cumulative non-convertible guaranteed preference shares on 2 February 2005. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(g)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC on 20 March 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC, are payable semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised. The preference shares qualify as Tier 1 capital for the Group.

OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the $1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(h)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised. The preference shares qualify as Tier 1 capital for the Group.

17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deposits of non-bank customers				
Current accounts	**52,904,324**	43,117,837	**34,101,143**	27,975,456
Savings deposits	**30,613,913**	28,535,633	**26,657,367**	24,643,983
Term deposits	**62,437,532**	65,916,607	**41,596,059**	45,936,240
Structured deposits	**4,825,419**	5,067,520	**753,796**	2,116,591
Certificate of deposits issued	**10,764,497**	7,512,795	**10,670,120**	7,435,934
Other deposits	**3,593,791**	4,404,447	**1,546,796**	1,718,507
	165,139,476	154,554,839	**115,325,281**	109,826,711
Deposits and balances of banks	**25,655,587**	21,653,245	**21,538,856**	18,880,685
	190,795,063	176,208,084	**136,864,137**	128,707,396

17.1 Deposits of non-bank customers

Analysed by currency				
Singapore Dollar	**82,095,000**	80,236,413	**79,849,325**	78,484,291
US Dollar	**31,455,033**	21,968,570	**19,836,978**	13,223,720
Malaysian Ringgit	**20,739,316**	19,127,970	**–**	–
Indonesian Rupiah	**5,834,913**	5,157,478	**1**	1
Japanese Yen	**1,427,082**	1,780,801	**690,662**	1,642,249
Hong Kong Dollar	**3,217,545**	2,663,164	**2,565,920**	2,165,904
British Pound	**3,372,211**	4,095,178	**2,762,784**	3,460,549
Australian Dollar	**8,036,384**	7,498,790	**6,627,545**	6,055,977
Euro	**1,332,197**	1,638,117	**487,202**	559,927
Others	**7,629,795**	10,388,358	**2,504,864**	4,234,093
	165,139,476	154,554,839	**115,325,281**	109,826,711

17.2 Deposits and balances of banks

Analysed by currency				
Singapore Dollar	**932,801**	1,086,459	**891,820**	1,083,275
US Dollar	**12,648,972**	11,933,941	**11,555,256**	10,667,568
Malaysian Ringgit	**543,598**	443,729	**–**	–
Indonesian Rupiah	**298,421**	89,258	**–**	–
Japanese Yen	**746,817**	–	**571,851**	–
Hong Kong Dollar	**3,463,687**	2,356,520	**3,456,266**	2,355,028
British Pound	**532,197**	1,075,070	**428,865**	1,075,064
Australian Dollar	**3,433,504**	1,902,276	**3,380,545**	1,840,545
Euro	**635,068**	1,143,998	**632,505**	1,138,674
Others	**2,420,522**	1,621,994	**621,748**	720,531
	25,655,587	21,653,245	**21,538,856**	18,880,685

18. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the balance sheet date are analysed below.

GROUP ($'000)	2012 Principal notional amount	2012 Derivative receivables	2012 Derivative payables	2011 Principal notional amount	2011 Derivative receivables	2011 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**45,763,528**	**270,015**	**335,886**	55,616,318	477,309	275,939
Swaps	**164,352,547**	**1,423,511**	**1,055,415**	166,025,852	1,728,084	2,043,638
OTC options – bought	**11,141,481**	**137,726**	**7,555**	12,516,333	110,028	2,791
OTC options – sold	**10,362,940**	**5,597**	**146,075**	12,385,570	1,551	122,472
	231,620,496	**1,836,849**	**1,544,931**	246,544,073	2,316,972	2,444,840
Interest rate derivatives ("IRD")						
Swaps	**292,976,242**	**3,058,479**	**3,197,069**	264,945,085	3,272,682	3,342,073
OTC options – bought	**1,644,674**	**8,967**	**–**	1,438,617	20,509	–
OTC options – sold	**7,560,785**	**–**	**40,225**	6,993,040	–	42,035
Exchange traded options – bought	**36,655**	**146**	**–**	–	–	–
Exchange traded options – sold	**36,655**	**–**	**43**	–	–	–
Exchange traded futures – bought	**2,142,953**	**57**	**–**	3,096,729	–	–
Exchange traded futures – sold	**4,051,058**	**–**	**687**	7,396,281	2	56
	308,449,022	**3,067,649**	**3,238,024**	283,869,752	3,293,193	3,384,164
Equity derivatives						
Swaps	**183,307**	**3,204**	**5,837**	71,403	1,348	7,107
OTC options – bought	**796,401**	**50,178**	**6,921**	711,180	72,384	1,653
OTC options – sold	**714,331**	**7,412**	**17,435**	589,206	1,662	60,156
Exchange traded options – bought	**–**	**–**	**–**	1,507	16	–
Exchange traded futures – bought	**82,927**	**223**	**310**	12,578	–	59
Exchange traded futures – sold	**23,041**	**117**	**6**	22,730	123	112
Others	**45,011**	**1,867**	**–**	27,946	1,313	1,194
	1,845,018	**63,001**	**30,509**	1,436,550	76,846	70,281
Credit derivatives						
Swaps – protection buyer	**9,471,841**	**55,594**	**134,974**	5,857,925	160,117	44,055
Swaps – protection seller	**8,825,163**	**125,315**	**48,668**	5,818,064	35,638	156,132
	18,297,004	**180,909**	**183,642**	11,675,989	195,755	200,187
Other derivatives						
Precious metals – bought	**64,536**	**746**	**482**	87,528	656	1,454
Precious metals – sold	**68,000**	**3,194**	**2**	91,717	4,874	341
OTC options – bought	**87,141**	**1,484**	**169**	698,090	8,307	–
OTC options – sold	**108,135**	**–**	**1,892**	768,836	–	9,289
Others	**194,653**	**922**	**921**	329,051	2,212	2,212
	522,465	**6,346**	**3,466**	1,975,222	16,049	13,296
Total	**560,734,005**	**5,154,754**	**5,000,572**	545,501,586	5,898,815	6,112,768
Included items designated for hedges:						
Fair value hedge – FED [1]	**1,819,211**	**89,673**	**14,816**	–	–	–
Fair value hedge – IRD	**4,713,400**	**81,714**	**84,507**	4,188,354	95,659	69,785
Hedge of net investments – FED [1]	**4,305,244**	**4,170**	**5,892**	944,606	1,956	12,268
	10,837,855	**175,557**	**105,215**	5,132,960	97,615	82,053

(1) Comparatives have been restated to conform to current year's presentation.

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2012 Principal notional amount	2012 Derivative receivables	2012 Derivative payables	2011 Principal notional amount	2011 Derivative receivables	2011 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**32,563,466**	**182,594**	**243,852**	42,673,585	368,602	196,780
Swaps	**139,435,895**	**1,254,259**	**953,905**	153,333,529	1,599,855	1,966,943
OTC options – bought	**7,839,724**	**91,888**	**4,988**	6,002,185	70,950	314
OTC options – sold	**7,093,459**	**3,029**	**101,956**	6,047,459	4	90,943
	186,932,544	**1,531,770**	**1,304,701**	208,056,758	2,039,411	2,254,980
Interest rate derivatives ("IRD")						
Swaps	**262,370,562**	**2,974,155**	**3,109,184**	252,626,122	3,181,866	3,265,082
OTC options – bought	**1,578,234**	**7,802**	**–**	1,254,396	18,053	–
OTC options – sold	**6,070,818**	**–**	**35,545**	6,102,731	–	41,607
Exchange traded options – bought	**36,655**	**146**	**–**	–	–	–
Exchange traded options – sold	**36,655**	**–**	**43**	–	–	–
Exchange traded futures – bought	**2,139,712**	**54**	**–**	3,096,729	–	–
Exchange traded futures – sold	**4,051,058**	**–**	**687**	7,396,281	2	56
	276,283,694	**2,982,157**	**3,145,459**	270,476,259	3,199,921	3,306,745
Equity derivatives						
Swaps	**80,811**	**264**	**2,898**	42,208	1,138	6,897
OTC options – bought	**114,482**	**15,118**	**220**	198,238	14,656	568
OTC options – sold	**148,569**	**1,117**	**3,363**	111,167	577	2,770
Exchange traded options – bought	**–**	**–**	**–**	1,507	16	–
Exchange traded futures – bought	**82,927**	**223**	**310**	12,578	–	59
Exchange traded futures – sold	**21,532**	**117**	**–**	18,223	123	72
Others	**44,433**	**1,661**	**–**	10,396	190	1
	492,754	**18,500**	**6,791**	394,317	16,700	10,367
Credit derivatives						
Swaps – protection buyer	**8,734,288**	**48,974**	**116,205**	5,715,665	155,723	44,055
Swaps – protection seller	**8,291,104**	**106,424**	**44,537**	5,774,056	35,638	153,883
	17,025,392	**155,398**	**160,742**	11,489,721	191,361	197,938
Other derivatives						
Precious metals – bought	**34,845**	**749**	**102**	86,526	656	1,408
Precious metals – sold	**41,958**	**2,838**	**4**	90,715	4,829	341
OTC options – bought	**121,841**	**1,663**	**169**	698,090	8,307	–
OTC options – sold	**107,573**	**–**	**1,490**	768,938	–	9,290
Others	**175,523**	**274**	**272**	310,374	1,187	1,187
	481,740	**5,524**	**2,037**	1,954,643	14,979	12,226
Total	**481,216,124**	**4,693,349**	**4,619,730**	492,371,698	5,462,372	5,782,256
Included items designated for hedges:						
Fair value hedge – FED [1]	**1,819,211**	**89,673**	**14,816**	535,759	–	10,381
Fair value hedge – IRD	**4,120,886**	**78,808**	**76,853**	3,736,078	89,124	67,626
Hedge of net investments – FED [1]	**560,081**	**52**	**796**	278,689	1,863	1,724
	6,500,178	**168,533**	**92,465**	4,550,526	90,987	79,731

[1] Comparatives have been restated to conform to current year's presentation.

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,163,444**	4,136,075	**2,936,461**	3,969,927
Other financial institutions	**1,265,592**	906,935	**1,185,303**	897,500
Corporates	**602,709**	610,382	**493,476**	507,700
Individuals	**52,256**	177,054	**8,096**	19,598
Others	**70,753**	68,369	**70,013**	67,647
	5,154,754	5,898,815	**4,693,349**	5,462,372
Analysed by geography				
Singapore	**2,176,972**	2,658,728	**2,163,142**	2,668,930
Malaysia	**182,101**	251,686	**35,558**	34,932
Indonesia [(1)]	**24,605**	22,046	**6,243**	8,274
Greater China	**371,671**	334,200	**208,962**	255,500
Other Asia Pacific [(1)]	**250,271**	163,701	**215,965**	134,501
Rest of the World	**2,149,134**	2,468,454	**2,063,479**	2,360,235
	5,154,754	5,898,815	**4,693,349**	5,462,372

(1) Comparatives have been restated to conform to current year's presentation.

The analysis by geography is determined based on where the credit risk resides.

19. OTHER LIABILITIES

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Bills payable	**525,451**	407,123	**382,817**	262,953
Interest payable	**501,265**	451,806	**291,829**	254,798
Sundry creditors	**2,261,839**	2,027,199	**420,182**	512,841
Others	**1,034,538**	1,137,280	**447,892**	428,083
	4,323,093	4,023,408	**1,542,720**	1,458,675

At 31 December 2012, reinsurance liabilities included in "Others" amounted to $24.3 million (2011: $24.1 million).

20. DEFERRED TAX

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
At 1 January	**1,079,709**	1,048,012	**116,533**	124,823
Currency translation and others	**(306)**	(4,706)	**478**	(14)
Net (credit)/expense to income statements (Note 10)	**(18,756)**	(7,203)	**(12,221)**	3,266
(Over)/under provision in prior years	**(11,274)**	55,291	**(9,326)**	1,524
Deferred tax on fair value change taken to other comprehensive income	**(71,808)**	(25,878)	**(56,542)**	(13,066)
Net change in life assurance fund tax	**149,300**	14,193	**–**	–
At 31 December	**1,126,865**	1,079,709	**38,922**	116,533

20. DEFERRED TAX (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**74,950**	63,706	**38,788**	32,457
Debt and equity securities	**315,997**	374,233	**27,688**	84,136
Fair value on properties from business combinations	**67,024**	69,523	**61,698**	63,928
Provision for policy liabilities	**735,448**	607,227	**–**	–
Unremitted income and others	**74,873**	87,294	**485**	2,039
	1,268,292	1,201,983	**128,659**	182,560
Amount offset against deferred tax assets	**(97,989)**	(78,858)	**(63,480)**	(61,706)
	1,170,303	1,123,125	**65,179**	120,854
Deferred tax assets				
Allowances for assets	**(93,697)**	(78,581)	**(73,497)**	(50,144)
Tax losses	**(697)**	(8,324)	**–**	–
Others	**(47,033)**	(35,369)	**(16,240)**	(15,883)
	(141,427)	(122,274)	**(89,737)**	(66,027)
Amount offset against deferred tax liabilities	**97,989**	78,858	**63,480**	61,706
	(43,438)	(43,416)	**(26,257)**	(4,321)
Net deferred tax liabilities	**1,126,865**	1,079,709	**38,922**	116,533

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2012, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $24.3 million (2011: $15.9 million) and nil (2011: nil) for the Group and Bank respectively.

21. DEBT ISSUED

	GROUP	
	2012 $'000	2011 $'000
Subordinated debt (unsecured) [Note 21.1]	**5,126,972**	4,079,820
Fixed and floating rate notes (unsecured) [Note 21.2]	**3,021,787**	659,261
Commercial papers (unsecured) [Note 21.3]	**2,832,523**	8,292,837
Structured notes (unsecured) [Note 21.4]	**443,145**	31,260
	11,424,427	13,063,178

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured)

	Note	Issue Date	Maturity Date	GROUP 2012 $'000	GROUP 2011 $'000
Issued by the Bank:					
SGD225 million 3.78% notes	(a)	28 Nov 2007	28 Nov 2017	**–**	230,254
MYR1 billion 4.60% bonds	(b)	27 Mar 2008	27 Mar 2018	**399,583**	409,295
MYR600 million 4.60% bonds	(b)	6 Jun 2008	6 Jun 2018	**242,019**	253,894
SGD711.93 million 5.60% notes	(c)	27 Mar 2009	27 Mar 2019	**725,458**	733,507
USD500 million 4.25% notes	(d)	18 Nov 2009	18 Nov 2019	**634,463**	679,813
USD500 million 3.75% notes	(e)	15 Nov 2010	15 Nov 2022	**641,394**	664,465
USD1 billion 3.15% notes	(f)	11 Sep 2012	11 Mar 2023	**1,218,077**	–
SGD400 million 3.93% notes	(g)	2 Feb 2005	20 Mar 2055	**400,000**	400,000
SGD1.5 billion 5.10% notes	(h)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				5,760,994	4,871,228
Subordinated debt issued to/held by subsidiaries				**(1,900,000)**	(2,019,800)
Net subordinated debt issued by the Bank				**3,860,994**	2,851,428
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR200 million 5.40% Islamic bonds	(i)	24 Nov 2006	24 Nov 2021	**79,919**	81,876
MYR400 million 4.55% bonds	(j)	30 Nov 2007	30 Nov 2017	**–**	165,800
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(k)	17 Apr 2009	Not applicable	**159,838**	163,752
MYR500 million 4.20% bonds	(l)	4 Nov 2010	4 Nov 2020	**202,504**	208,649
MYR600 million 4.00% bonds	(m)	15 Aug 2012	15 Aug 2022	**239,141**	–
				681,402	620,077
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR600 billion 11.10% Subordinated Bonds II	(n)	12 Mar 2008	11 Mar 2018	**75,570**	85,008
IDR880 billion 11.35% Subordinated Bonds III	(o)	30 Jun 2010	30 Jun 2017	**110,305**	124,207
				185,875	209,215
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(p)	19 Jan 2011	19 Jan 2026	**399,200**	399,100
Subordinated debt held by the Bank				**(499)**	–
Net subordinated debt issued by GEL				**398,701**	399,100
Total subordinated debt				**5,126,972**	4,079,820

(a) The subordinated notes were fully redeemed and cancelled on 28 November 2012.

(b) The subordinated bonds are redeemable in whole at the option of the Bank on the 5th anniversary of the issue date and each interest payment date thereafter. Interest is payable semi-annually at 4.60% per annum for the first 5 years, and thereafter at 5.60% per annum if the redemption option is not exercised. The interest payment dates are on 27 March and 27 September each year for the MYR1 billion subordinated bonds and on 6 June and 6 December each year for the MYR600 million subordinated bonds. The Bank had entered into interest rate swaps to manage the risk of the MYR600 million subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 27 March 2014. Interest is payable semi-annually on 27 March and 27 September each year at 5.60% per annum up to 27 March 2014, and thereafter at 7.35% per annum if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured) (continued)

(d) The subordinated notes are redeemable in whole at the option of the Bank on 18 November 2014. Interest is payable semi-annually on 18 May and 18 November each year at 4.25% per annum up to 18 November 2014, and thereafter at a fixed rate per annum equal to the then relevant 5-year US Treasury benchmark rate plus 2.997% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. Interest is payable semi-annually on 15 May and 15 November each year at 3.75% per annum up to 15 November 2017, and thereafter quarterly on 15 February, 15 May, 15 August and 15 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate plus 1.848% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(f) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(g) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation in exchange for the proceeds from the issue of the $400 million non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised.

(h) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the $1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.

(i) The Islamic subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 24 November 2016 and each profit payment date thereafter. The subordinated bonds were issued under the Mudharabah (profit sharing) principle with a projected constant rate of 5.40% per annum, payable semi-annually on 24 May and 24 November each year, up to 24 November 2016, and thereafter at 6.40% per annum if the redemption option is not exercised. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 24 November 2017. The subordinated bonds qualify as Tier 2 capital for the Group.

(j) The subordinated bonds were fully redeemed and cancelled on 30 November 2012.

(k) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Tier 1 capital for the Group.

(l) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 4 November 2015 and each interest payment date thereafter. Interest is payable semi-annually on 4 May and 4 November each year at 4.20% per annum. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 4 November 2016. OCBC Malaysia had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(m) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 15 August 2017 and each interest payment date thereafter. Interest is payable semi-annually on 15 February and 15 August each year at 4.00% per annum. OCBC Malaysia had entered into interest rate swaps to partially manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(n) The subordinated bonds are redeemable in whole at the option of OCBC NISP on 12 March 2013. Interest is payable quarterly on 11 March, 11 June, 11 September and 11 December each year at 11.10% per annum up to 12 March 2013, and thereafter at 19.10% per annum if the redemption option is not exercised.

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured) (continued)

(o) Interest is payable quarterly on 30 March, 30 June, 30 September and 30 December each year at 11.35% per annum. The subordinated bonds qualify as Tier 2 capital for the Group.

(p) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

21.2 Fixed and floating rate notes (unsecured)

	Note	Issue Date	Maturity Date	GROUP AND BANK 2012 $'000	2011 $'000
Issued by the Bank:					
AUD500 million floating rate notes	(a)	14 Jul 2011	14 Jul 2014	**635,230**	659,261
HKD1 billion 2.2% fixed rate notes	(b)	19 Jan 2012	19 Jan 2017	**160,381**	–
AUD600 million floating rate notes	(c)	5 Mar 2012	5 Mar 2015	**763,846**	–
USD1 billion 1.625% fixed rate bonds	(d)	13 Mar 2012	13 Mar 2015	**1,221,467**	–
USD125 million floating rate notes	(e)	23 May 2012	23 May 2013	**152,731**	–
Other fixed and floating rate notes		13 Aug 2012 – 10 Dec 2012	13 Aug 2015 – 18 Dec 2019	**88,132**	–
				3,021,787	659,261

(a) Interest is payable quarterly on 14 January, 14 April, 14 July and 14 October each year at a floating rate per annum equal to the 3-month Bank Bill Swap reference rate plus 0.83%.

(b) Interest is payable quarterly on 19 January, 19 April, 19 July and 19 October each year at 2.20% per annum.

(c) Interest is payable quarterly on 5 March, 5 June, 5 September and 5 December each year at a floating rate per annum equal to the 3-month Bank Bill Swap reference rate plus 1.25%.

(d) Interest is payable semi-annually on 13 March and 13 September each year at 1.625% per annum.

(e) Interest is payable quarterly on 23 February, 23 May, 23 August and 23 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate.

21.3 Commercial papers (unsecured)

	Note	GROUP 2012 $'000	2011 $'000
Issued by the Bank	(a)	**2,692,969**	8,235,714
Issued by a subsidiary	(b)	**139,554**	57,123
		2,832,523	8,292,837

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme. The notes outstanding at 31 December 2012 were issued between 26 April 2012 (2011: 20 April 2011) and 27 December 2012 (2011: 23 December 2011), and mature between 2 January 2013 (2011: 3 January 2012) and 27 June 2013 (2011: 16 November 2012), yielding between 0.15% and 3.50% (2011: 0.21% and 4.77%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018 (2011: MYR200 million 7-year CP/MTN programme expiring in 2012). The notes outstanding as at 31 December 2012 were issued between 23 May 2012 (2011: 14 June 2011) and 21 December 2012 (2011: 9 December 2011), and mature between 3 January 2013 (2011: 5 January 2012) and 1 March 2013 (2011: 23 March 2012), with interest rate ranging from 3.33% to 3.65% (2011: 3.42% to 3.90%).

21. DEBT ISSUED (continued)

21.4 Structured notes (unsecured)

	Issue Date	Maturity Date	GROUP AND BANK 2012 $'000	2011 $'000
Issued by the Bank:				
Credit linked notes	17 Nov 2008 - 21 Dec 2012	20 Dec 2013 - 15 Jan 2019	**287,348**	8,000
Equity-linked notes	8 Aug 2012 - 31 Dec 2012	4 Jan 2013 - 8 Aug 2013	**41,540**	8,219
Fixed Rate Notes	17 Feb 2012 - 27 Dec 2012	17 Feb 2017 - 28 Dec 2037	**114,257**	15,041
			443,145	31,260

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for $211.3 million included under credit linked notes as at 31 December 2012 which were held at fair value through profit or loss.

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP 2012 $ million	2011 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**44,420.8**	43,267.9
Currency translation	**(498.4)**	(335.9)
Fair value reserve movements	**69.6**	(208.6)
Change in life assurance fund contract liabilities (Note 4)	**3,065.9**	1,697.4
At 31 December	**47,057.9**	44,420.8
Policy benefits	**2,512.5**	2,262.0
Others	**2,816.6**	2,521.0
	52,387.0	49,203.8
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,857.1**	5,950.3
Loans	**3,316.1**	3,409.4
Securities	**43,663.8**	37,470.1
Investment property	**1,531.6**	1,406.7
Others [(1)]	**902.8**	851.8
	52,271.4	49,088.3
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**4.6**	4.4
Capital commitment authorised and contracted	**81.1**	89.7
Derivative financial instruments (principal notional amount)	**8,248.4**	7,142.6
Derivative receivables	**488.6**	435.4
Derivative payables	**41.8**	60.9
Minimum lease rental receivables under non-cancellable operating leases	**75.0**	78.7

(1) Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash on hand	**664,261**	745,966	**515,718**	597,336
Balances with central banks	**5,557,298**	4,451,328	**3,382,850**	2,342,603
Money market placements and reverse repos	**10,175,274**	7,699,311	**5,483,085**	4,045,660
	16,396,833	12,896,605	**9,381,653**	6,985,599

Balances with central banks include mandatory reserve deposits of $4,703.6 million (2011: $4,414.4 million) and $2,548.2 million (2011: $2,336.6 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**1,387,525**	2,333,350	**1,387,525**	2,333,350
Available-for-sale, at fair value	**11,492,379**	10,631,867	**10,692,392**	10,258,930
Fair value at initial recognition	**379,817**	284,896	**–**	–
Gross securities	**13,259,721**	13,250,113	**12,079,917**	12,592,280
Assets pledged (Note 44)	**(118,497)**	–	**(118,497)**	–
	13,141,224	13,250,113	**11,961,420**	12,592,280
Other government treasury bills and securities				
Trading, at fair value	**1,785,956**	1,574,626	**1,740,293**	1,330,129
Available-for-sale, at fair value	**7,390,484**	6,029,475	**4,377,781**	2,717,047
Gross securities	**9,176,440**	7,604,101	**6,118,074**	4,047,176
Assets pledged (Note 44)	**(19,687)**	(207,297)	**(19,687)**	(59,553)
	9,156,753	7,396,804	**6,098,387**	3,987,623
Gross securities analysed by geography				
Singapore	**13,259,721**	13,250,113	**12,079,917**	12,592,280
Malaysia	**2,238,012**	2,374,067	**92,561**	–
Indonesia [1]	**1,040,060**	1,202,719	**182,635**	300,814
Greater China	**1,418,577**	2,282,848	**1,418,576**	2,011,906
Other Asia Pacific [1]	**3,883,811**	1,693,846	**3,876,061**	1,687,795
Rest of the World	**595,980**	50,621	**548,241**	46,661
	22,436,161	20,854,214	**18,197,991**	16,639,456

[1] Comparatives have been restated to conform to current year's presentation.

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**207,747**	231,789	**207,747**	231,789
Certificate of deposits purchased (Available-for-sale)	**10,062,287**	4,483,876	**9,209,132**	3,811,245
Forfaiting loans (Trading)	**–**	484	**–**	484
	10,270,034	4,716,149	**9,416,879**	4,043,518
At amortised cost:				
Placements with and loans to banks	**17,879,608**	17,392,038	**11,191,660**	12,682,638
Market bills purchased	**1,873,608**	4,862,982	**1,873,608**	4,759,605
Reverse repos	**484,982**	1,889,453	**–**	–
	20,238,198	24,144,473	**13,065,268**	17,442,243
Balances with banks	**30,508,232**	28,860,622	**22,482,147**	21,485,761
Assets pledged (Note 44)	**(1,464,467)**	(831,495)	**(1,464,467)**	(831,495)
Bank balances of life assurance fund	**767,163**	585,450	**–**	–
	29,810,928	28,614,577	**21,017,680**	20,654,266

25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**391,763**	260,894	**317,212**	66,857
US Dollar	**14,891,213**	11,698,780	**12,691,586**	11,196,286
Malaysian Ringgit	**1,385,740**	1,118,778	**109**	151
Indonesian Rupiah	**67,971**	62,184	**1**	101
Japanese Yen	**442,471**	490,164	**363,518**	405,235
Hong Kong Dollar	**1,271,101**	688,384	**1,268,729**	683,736
British Pound	**1,013,516**	715,858	**1,009,478**	689,897
Australian Dollar	**2,134,185**	1,712,067	**2,004,248**	1,555,755
Euro	**1,171,912**	756,012	**1,165,627**	751,811
Others	**7,738,360**	11,357,501	**3,661,639**	6,135,932
	30,508,232	28,860,622	**22,482,147**	21,485,761
By geography				
Singapore	**1,305,918**	1,365,382	**1,234,655**	1,198,078
Malaysia	**2,967,583**	2,093,138	**669,244**	357,350
Indonesia [(1)]	**382,339**	684,479	**315,001**	666,614
Greater China	**17,666,708**	18,714,267	**12,664,937**	13,779,204
Other Asia Pacific [(1)]	**4,814,495**	3,319,350	**4,736,746**	3,193,397
Rest of the World	**3,371,189**	2,684,006	**2,861,564**	2,291,118
	30,508,232	28,860,622	**22,482,147**	21,485,761

(1) Comparatives have been restated to conform to current year's presentation.

The analysis by geography is determined based on where the credit risk resides.

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Gross loans	**144,030,440**	135,132,036	**105,301,591**	98,822,338
Specific allowances (Note 28)	**(303,498)**	(302,383)	**(133,926)**	(106,340)
Portfolio allowances (Note 29)	**(1,350,464)**	(1,219,577)	**(1,011,065)**	(929,471)
Net loans	**142,376,478**	133,610,076	**104,156,600**	97,786,527
Assets pledged (Note 44)	**–**	(53,225)	**–**	–
	142,376,478	133,556,851	**104,156,600**	97,786,527
Bills receivable	**9,874,156**	11,312,408	**8,337,025**	9,182,377
Loans	**132,502,322**	122,297,668	**95,819,575**	88,604,150
Net loans	**142,376,478**	133,610,076	**104,156,600**	97,786,527

26.1 Analysed by currency

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Singapore Dollar	**70,141,316**	61,198,143	**68,376,147**	59,834,591
US Dollar	**31,680,402**	35,716,290	**23,532,756**	27,932,634
Malaysian Ringgit	**18,403,794**	16,723,707	**166**	114
Indonesian Rupiah	**4,989,282**	4,464,640	**–**	–
Japanese Yen	**1,919,733**	2,877,286	**599,359**	1,197,351
Hong Kong Dollar	**5,110,505**	5,592,007	**4,377,786**	4,375,942
British Pound	**2,300,292**	1,169,916	**1,461,780**	760,163
Australian Dollar	**3,698,219**	3,496,733	**3,529,736**	3,407,014
Euro	**1,133,721**	777,402	**797,400**	549,602
Others	**4,653,176**	3,115,912	**2,626,461**	764,927
	144,030,440	135,132,036	**105,301,591**	98,822,338

26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
26.2 Analysed by product				
Overdrafts	**6,945,516**	6,686,300	**1,175,550**	1,300,696
Short-term and revolving loans	**21,110,339**	20,172,859	**10,956,105**	10,760,554
Syndicated and term loans	**57,140,246**	53,777,005	**47,075,382**	44,062,514
Housing and commercial property loans	**40,190,539**	34,390,670	**31,879,500**	27,392,669
Car, credit card and share margin loans	**2,794,648**	2,711,093	**2,036,468**	2,027,198
Others	**15,849,152**	17,394,109	**12,178,586**	13,278,707
	144,030,440	135,132,036	**105,301,591**	98,822,338
26.3 Analysed by industry				
Agriculture, mining and quarrying	**4,862,736**	4,041,522	**3,097,650**	2,494,209
Manufacturing	**8,196,914**	8,424,119	**3,337,780**	3,457,550
Building and construction	**22,387,826**	20,365,431	**17,841,981**	16,109,518
Housing	**37,809,235**	32,075,535	**29,337,663**	25,462,979
General commerce	**17,502,298**	20,347,142	**13,011,458**	16,208,458
Transport, storage and communication	**9,105,774**	9,208,265	**7,529,643**	7,891,091
Financial institutions, investment and holding companies [(1)]	**22,456,318**	18,792,209	**17,517,562**	14,488,483
Professionals and individuals	**14,272,201**	13,952,117	**8,075,516**	7,260,515
Others [(1)]	**7,437,138**	7,925,696	**5,552,338**	5,449,535
	144,030,440	135,132,036	**105,301,591**	98,822,338

(1) Comparatives have been restated to conform to current year's presentation.

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	**6,129,952**	6,839,067	**6,030,387**	6,726,555
Malaysia	**1,926,261**	1,366,498	**–**	–
Indonesia [(1)]	**1,733,716**	1,241,644	**–**	–
Greater China	**1,460,677**	2,224,825	**1,460,671**	2,200,890
Other Asia Pacific [(1)]	**56,858**	307,539	**56,858**	307,539
Rest of the World	**573**	682	**573**	682
	11,308,037	11,980,255	**7,548,489**	9,235,666
Variable				
Singapore	**91,078,172**	81,963,244	**81,835,401**	73,296,770
Malaysia	**21,416,456**	20,319,264	**3,898,853**	3,764,880
Indonesia [(1)]	**4,980,906**	4,722,566	**–**	–
Greater China	**9,130,289**	9,849,327	**5,904,265**	6,232,804
Other Asia Pacific [(1)]	**4,360,967**	4,527,804	**4,358,970**	4,522,642
Rest of the World	**1,755,613**	1,769,576	**1,755,613**	1,769,576
	132,722,403	123,151,781	**97,753,102**	89,586,672
Total	**144,030,440**	135,132,036	**105,301,591**	98,822,338

(1) Comparatives have been restated to conform to current year's presentation.

The analysis by interest rate sensitivity is based on where the transactions are booked.

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
26.5 Analysed by geography				
Singapore	**75,215,488**	68,259,948	**72,887,754**	66,647,296
Malaysia	**23,157,061**	21,063,792	**3,417,694**	2,926,056
Indonesia [(1)]	**10,678,702**	9,383,017	**5,553,187**	3,036,634
Greater China	**17,378,849**	19,952,336	**13,369,404**	15,064,753
Other Asia Pacific [(1)]	**8,253,418**	7,873,178	**5,486,114**	7,013,250
Rest of the World	**9,346,922**	8,599,765	**4,587,438**	4,134,349
	144,030,440	135,132,036	**105,301,591**	98,822,338

(1) Comparatives have been restated to conform to current year's presentation.

The analysis by geography is determined based on where the credit risk resides.

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2012						
Classified loans	**698**	**298**	**149**	**1,145**	**(300)**	**845**
Classified debt securities	**–**	**3**	**1**	**4**	**(3)**	**1**
Classified contingents	**19**	**1**	**3**	**23**	**(2)**	**21**
Total classified assets	**717**	**302**	**153**	**1,172**	**(305)**	**867**
2011						
Classified loans	796	240	136	1,172	(295)	877
Classified debt securities	101	9	1	111	(10)	101
Classified contingents	95	56	3	154	(8)	146
Total classified assets	992	305	140	1,437	(313)	1,124
BANK						
2012						
Classified loans	**461**	**158**	**49**	**668**	**(134)**	**534**
Classified debt securities	**–**	**#**	**#**	**#**	**(#)**	**–**
Classified contingents	**1**	**–**	**–**	**1**	**–**	**1**
Total classified assets	**462**	**158**	**49**	**669**	**(134)**	**535**
2011						
Classified loans	406	168	35	609	(102)	507
Classified debt securities	100	7	#	107	(7)	100
Classified contingents	94	54	–	148	(4)	144
Total classified assets	600	229	35	864	(113)	751

(1) # represents amounts less than $0.5 million.

	GROUP 2012 $ million	GROUP 2011 $ million	BANK 2012 $ million	BANK 2011 $ million
27.1 Analysed by period overdue				
Over 180 days	**328**	512	**50**	191
Over 90 days to 180 days	**81**	85	**40**	45
30 days to 90 days	**160**	204	**116**	160
Less than 30 days	**10**	25	**7**	7
No overdue	**593**	611	**456**	461
	1,172	1,437	**669**	864
27.2 Analysed by collateral type				
Property	**563**	620	**317**	348
Fixed deposit	**3**	4	**1**	1
Stock and shares	**#**	89	**#**	#
Motor vehicles	**4**	2	**3**	2
Secured – Others	**104**	252	**67**	193
Unsecured – Corporate and other guarantees	**147**	236	**147**	235
Unsecured – Clean	**351**	234	**134**	85
	1,172	1,437	**669**	864

(1) # represents amounts less than $0.5 million.

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS (continued)

	GROUP 2012 $ million	GROUP 2011 $ million	BANK 2012 $ million	BANK 2011 $ million
27.3 Analysed by industry				
Agriculture, mining and quarrying	**6**	6	**#**	#
Manufacturing	**383**	378	**215**	245
Building and construction	**204**	317	**151**	178
Housing	**192**	188	**79**	75
General commerce	**105**	136	**29**	51
Transport, storage and communication	**77**	128	**63**	116
Financial institutions, investment and holding companies [1]	**92**	140	**85**	131
Professionals and individuals	**87**	114	**43**	64
Others [1]	**26**	30	**4**	4
	1,172	1,437	**669**	864

(1) Comparatives have been restated to conform to current year's presentation.

(2) # represents amounts less than $0.5 million.

27.4 Analysed by geography

$ million	2012 Singapore	2012 Malaysia	2012 Rest of the World	2012 Total	2011 Singapore	2011 Malaysia	2011 Rest of the World	2011 Total
GROUP								
Substandard	**91**	**251**	**375**	**717**	205	462	325	992
Doubtful	**119**	**134**	**49**	**302**	151	72	82	305
Loss	**48**	**47**	**58**	**153**	34	46	60	140
	258	**432**	**482**	**1,172**	390	580	467	1,437
Specific allowances	**(105)**	**(127)**	**(73)**	**(305)**	(71)	(164)	(78)	(313)
	153	**305**	**409**	**867**	319	416	389	1,124
BANK								
Substandard	**91**	**10**	**361**	**462**	205	91	304	600
Doubtful	**119**	**–**	**39**	**158**	151	12	66	229
Loss	**48**	**–**	**1**	**49**	34	–	1	35
	258	**10**	**401**	**669**	390	103	371	864
Specific allowances	**(105)**	**(3)**	**(26)**	**(134)**	(71)	(14)	(28)	(113)
	153	**7**	**375**	**535**	319	89	343	751

Non-performing loans ("NPLs"), debt securities and contingents by geography are determined based on where the credit risk resides.

27.5 Restructured/renegotiated loans

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 16.7% (2011: 14.4%) and 27.8 % (2011: 21.8%) for the Group and the Bank respectively.

	2012 Amount $ million	2012 Allowance $ million	2011 Amount $ million	2011 Allowance $ million
GROUP				
Substandard	**173**	**10**	186	11
Doubtful	**22**	**33**	19	16
Loss	**#**	**#**	2	2
	195	**43**	207	29
BANK				
Substandard	**168**	**8**	174	9
Doubtful	**18**	**28**	15	12
Loss	**#**	**#**	#	#
	186	**36**	189	21

(1) # represents amounts less than $0.5 million.

28. SPECIFIC ALLOWANCES

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
At 1 January	**302,383**	328,130	**106,340**	83,661
Currency translation	**(12,426)**	2,869	**(3,548)**	339
Bad debts written off	**(93,471)**	(101,341)	**(55,350)**	(35,793)
Recovery of amounts previously provided for	**(42,605)**	(49,479)	**(27,590)**	(32,028)
Allowances for loans	**157,827**	128,517	**120,335**	92,737
Net allowances charged to income statements (Note 9)	**115,222**	79,038	**92,745**	60,709
Interest recognition on impaired loans	**(8,210)**	(6,729)	**(6,261)**	(2,542)
Transfer from/(to) other accounts	**–**	416	**–**	(34)
At 31 December (Note 26)	**303,498**	302,383	**133,926**	106,340

Analysed by industry

	Cumulative specific allowances		Specific allowances charged/ (write-back) to income statements	
	2012 $ million	2011 $ million	2012 $ million	2011 $ million
GROUP				
Agriculture, mining and quarrying	**2**	1	**#**	(#)
Manufacturing	**87**	90	**26**	30
Building and construction	**23**	25	**1**	(9)
Housing	**36**	39	**4**	5
General commerce	**44**	47	**9**	9
Transport, storage and communication	**26**	15	**17**	7
Financial institutions, investment and holding companies	**9**	11	**(3)**	4
Professionals and individuals	**57**	51	**56**	30
Others	**19**	23	**5**	3
	303	302	**115**	79
BANK				
Agriculture, mining and quarrying	**#**	#	**(#)**	(1)
Manufacturing	**57**	43	**24**	30
Building and construction	**6**	4	**3**	1
Housing	**#**	#	**#**	(3)
General commerce	**7**	7	**6**	2
Transport, storage and communication	**20**	10	**17**	6
Financial institutions, investment and holding companies	**5**	11	**(3)**	4
Professionals and individuals	**36**	29	**43**	21
Others	**3**	2	**3**	1
	134	106	**93**	61

(1) # represents amounts less than $0.5 million.

29. PORTFOLIO ALLOWANCES

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
At 1 January	**1,219,577**	1,094,529	**929,471**	856,047
Currency translation	**(16,711)**	(1,901)	**(6,184)**	896
Allowances charged to income statements (Note 9)	**147,598**	127,364	**87,778**	72,528
Transfer to other accounts	**–**	(415)	**–**	–
At 31 December (Note 26)	**1,350,464**	1,219,577	**1,011,065**	929,471

30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trading securities				
Quoted debt securities	**1,119,217**	1,420,376	**887,544**	1,038,387
Unquoted debt securities	**804,105**	483,736	**632,331**	280,515
Quoted equity securities	**156,944**	94,703	**155,176**	83,784
Quoted investment funds	**9,815**	757	**9,815**	404
Unquoted investment funds	**22,587**	43,190	**22,587**	43,190
	2,112,668	2,042,762	**1,707,453**	1,446,280
Available-for-sale securities				
Quoted debt securities	**6,505,733**	6,764,556	**4,782,004**	5,026,798
Unquoted debt securities	**3,700,210**	3,027,200	**2,178,439**	1,887,297
Quoted equity securities	**2,138,506**	2,694,921	**555,006**	984,399
Unquoted equity securities	**161,374**	234,187	**21,560**	49,414
Quoted investment funds	**192,577**	183,072	**20,044**	15,646
Unquoted investment funds	**19,186**	77,099	**9,392**	14,324
	12,717,586	12,981,035	**7,566,445**	7,977,878
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**555,240**	811,686	**418,198**	741,963
Allowance for impairment (Note 32)	**–**	(7,085)	**–**	(6,824)
Net carrying value	**555,240**	804,601	**418,198**	735,139
Total debt and equity securities				
Debt securities – gross	**12,684,505**	12,507,554	**8,898,516**	8,974,960
Allowance for impairment (Note 32)	**–**	(7,085)	**–**	(6,824)
Debt securities – net	**12,684,505**	12,500,469	**8,898,516**	8,968,136
Equity securities	**2,456,824**	3,023,811	**731,742**	1,117,597
Investment funds	**244,165**	304,118	**61,838**	73,564
Total securities	**15,385,494**	15,828,398	**9,692,096**	10,159,297
Assets pledged (Note 44)	**(453,504)**	(746,964)	**(343,684)**	(437,857)
	14,931,990	15,081,434	**9,348,412**	9,721,440
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**7,276,041**	7,790,806	**5,875,389**	5,964,527
Non-investment grade (BB to C)	**235,782**	239,208	**200,950**	214,466
Non-rated	**5,172,682**	4,470,455	**2,822,177**	2,789,143
	12,684,505	12,500,469	**8,898,516**	8,968,136
By credit quality				
Pass	**12,671,322**	12,399,580	**8,885,964**	8,867,450
Special mention	**12,552**	–	**12,552**	–
Substandard	**–**	100,644	**–**	100,644
Doubtful	**631**	7,330	**–**	6,866
Loss	**–**	–	**–**	–
Allowance for impairment (Note 32)	**–**	(7,085)	**–**	(6,824)
	12,684,505	12,500,469	**8,898,516**	8,968,136

30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**408,254**	443,888	**345,867**	361,460
Manufacturing	**585,160**	1,389,955	**182,031**	590,919
Building and construction	**1,520,989**	1,444,350	**881,715**	1,031,834
General commerce	**361,637**	231,727	**252,660**	124,453
Transport, storage and communication	**921,623**	670,912	**574,366**	485,725
Financial institutions, investment and holding companies	**9,212,423**	9,885,261	**6,437,240**	6,871,704
Others	**2,375,408**	1,762,305	**1,018,217**	693,202
	15,385,494	15,828,398	**9,692,096**	10,159,297
By issuer				
Public sector	**1,545,949**	1,284,896	**1,265,405**	1,044,093
Banks	**5,933,112**	6,624,941	**4,257,900**	4,592,837
Corporations	**7,212,368**	7,664,369	**4,131,557**	4,484,598
Others	**694,065**	254,192	**37,234**	37,769
	15,385,494	15,828,398	**9,692,096**	10,159,297
By geography				
Singapore	**3,689,248**	4,351,971	**2,458,037**	2,821,259
Malaysia	**1,994,262**	1,866,345	**446,604**	453,951
Indonesia [(1)]	**395,504**	259,151	**187,132**	83,303
Greater China	**3,623,488**	2,930,528	**1,908,758**	1,366,101
Other Asia Pacific [(1)]	**3,365,215**	3,081,820	**2,925,217**	2,780,453
Rest of the World [(1)]	**2,317,777**	3,338,583	**1,766,348**	2,654,230
	15,385,494	15,828,398	**9,692,096**	10,159,297

(1) Comparatives have been restated to conform to current year's presentation.

The analysis by geography is determined based on country of incorporation.

Debt securities are 82% (2011: 79%) and 92% (2011: 88%) of total securities, for the Group and the Bank respectively.

31. OTHER ASSETS

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest receivable	**737,162**	705,015	**466,891**	475,878
Sundry debtors (net)	**2,068,349**	1,527,042	**20,229**	180,820
Deposits and prepayments	**299,003**	316,523	**175,190**	184,626
Others	**740,113**	642,859	**485,031**	345,404
	3,844,627	3,191,439	**1,147,341**	1,186,728

At 31 December 2012, reinsurance assets included in "Others" amounted to $111.0 million (2011: $113.1 million).

32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2011	7,019	67,196	7,076	13,476	94,767
Currency translation	66	(255)	(107)	(14)	(310)
Amounts written off	–	(31)	(53)	(1,034)	(1,118)
(Write-back)/impairment charge to income statements (Note 9)	–	(699)	(243)	17,036	16,094
Acquisition of a business	–	–	–	6,157	6,157
Transfers from/(to) other accounts	–	217	(217)	(45)	(45)
At 31 December 2011/1 January 2012	**7,085**	**66,428**	**6,456**	**35,576**	**115,545**
Currency translation	**(417)**	**(304)**	**(72)**	**(1,846)**	**(2,639)**
Amounts written off	**(6,450)**	**–**	**(914)**	**(18,783)**	**(26,147)**
(Write-back)/impairment charge to income statements (Note 9)	**(218)**	**–**	**(552)**	**4,029**	**3,259**
Transfers (to)/from other accounts	**–**	**–**	**(977)**	**3,605**	**2,628**
At 31 December 2012	**–**	**66,124**	**3,941**	**22,581**	**92,646**
	(Note 30)	(Note 35)	(Note 36)		

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2011	13,578	6,753	948	4,836	1,637	27,752
Currency translation	–	71	–	(68)	125	128
Amounts written off	(8,291)	–	–	(53)	–	(8,344)
Impairment charge to income statements (Note 9)	–	–	–	–	3,442	3,442
Transfers (to)/from other accounts	–	–	(2)	2	(9)	(9)
At 31 December 2011/1 January 2012	**5,287**	**6,824**	**946**	**4,717**	**5,195**	**22,969**
Currency translation	**–**	**(414)**	**–**	**(38)**	**(388)**	**(840)**
Amounts written off	**–**	**(6,450)**	**–**	**(914)**	**–**	**(7,364)**
Impairment charge to income statements (Note 9)	**–**	**40**	**–**	**111**	**454**	**605**
Transfers to other accounts	**–**	**–**	**–**	**(607)**	**–**	**(607)**
At 31 December 2012	**5,287**	**–**	**946**	**3,269**	**5,261**	**14,763**
	(Notes 33-34)	(Note 30)	(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Unquoted equity securities, at cost	**308,677**	332,500	**193,449**	217,272
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**308,677**	332,500	**191,250**	215,073
Share of post-acquisition reserves	**46,177**	27,525	**–**	–
Amount due from associates (unsecured)	**38**	410	**–**	–
	354,892	360,435	**191,250**	215,073

33. ASSOCIATES AND JOINT VENTURES (continued)

33.1 Associates

The summarised financial information of associates not adjusted for the proportion of ownership interest held by the Group is as follows:

$'000	2012	2011
At 31 December:		
Assets	**1,126,771**	1,037,417
Liabilities	**(229,496)**	(209,223)
Contingent liabilities	**1,323**	1,176
For the year ended:		
Total income	**387,452**	242,538
Profit/(loss)	**140,379**	58,938

Details of the significant associate of the Group are as follows:

Name of associate	Country of incorporation	Effective % interest held 2012	Effective % interest held 2011
Unquoted			
Network For Electronic Transfers (Singapore) Pte Ltd [1]	Singapore	**33**	33

[1] Audited by PricewaterhouseCoopers.

33.2 Joint ventures

The Group holds 50% interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). The summarised financial information of GEL China based on the Group's 50% interest is as follows:

$ million	2012	2011
At 31 December:		
Share of current assets	**151.1**	141.1
Share of non-current assets	**45.3**	41.2
Share of current liabilities	**(38.0)**	(32.1)
Share of non-current liabilities	**(90.9)**	(76.3)
For the year ended:		
Share of income	**39.0**	32.6
Share of expenses	**(42.3)**	(41.1)

34. SUBSIDIARIES

	BANK 2012 $'000	BANK 2011 $'000
Investments in subsidiaries, at cost		
Quoted security	**1,895,642**	1,895,642
Unquoted securities	**3,872,896**	3,794,156
Allowance for impairment (Note 32)	**(3,088)**	(3,088)
Net carrying value	**5,765,450**	5,686,710
Unsecured loans and receivables	**4,744,058**	5,706,918
Secured loans and receivables	**1,067,200**	1,068,200
Amount due from subsidiaries	**5,811,258**	6,775,118
Investments in and amount due from subsidiaries	**11,576,708**	12,461,828

At 31 December 2012, the fair values of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $6,461.0 million (2011: $5,190.3 million) and $1,246.3 million (2011: $918.6 million) respectively.

34. SUBSIDIARIES (continued)

34.1 List of significant subsidiaries

Significant subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held [3] 2012	2011
Banking			
Singapore Island Bank Limited	Singapore	**100**	100
Bank of Singapore Limited	Singapore	**100**	100
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100
OCBC Bank (China) Limited	People's Republic of China	**100**	100
PT Bank OCBC NISP Tbk [1] (Note 34.2)	Indonesia	**85**	85
Insurance			
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**87**	87
Overseas Assurance Corporation (Malaysia) Berhad [2]	Malaysia	**87**	87
The Great Eastern Life Assurance Company Limited [2]	Singapore	**87**	87
The Overseas Assurance Corporation Limited [2]	Singapore	**87**	87
Asset management and investment holding			
Lion Global Investors Limited [2]	Singapore	**91**	91
Great Eastern Holdings Limited [2]	Singapore	**87**	87
Stockbroking			
OCBC Securities Private Limited	Singapore	**100**	100

Unless otherwise indicated, the significant subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.

(1) Audited by PricewaterhouseCoopers.

(2) Audited by Ernst & Young.

(3) Rounded to the nearest percentage.

34.2 Acquisition of non-controlling interests

During the financial year, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., subscribed for a total of 1,283,463,881 new shares pursuant to the rights issue undertaken by PT Bank OCBC NISP Tbk ("OCBC NISP"), at an issue price of IDR1,000 per share. The aggregate consideration for the rights issue subscription amounted to $176 million. Consequently, the Group's interest in OCBC NISP increased from 85.06% to 85.08%.

35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2012 Property-related	2012 Computer-related	2012 Others	2012 Total	2011 Property-related	2011 Computer-related	2011 Others	2011 Total
Cost								
At 1 January	1,457,560	1,121,832	435,781	3,015,173	1,462,406	976,754	397,347	2,836,507
Currency translation	(16,438)	(18,249)	(9,675)	(44,362)	(5,025)	(5,224)	(1,585)	(11,834)
Acquisition of a subsidiary/business	–	521	300	821	4,913	150	311	5,374
Additions	20,053	204,969	60,877	285,899	16,192	173,514	47,840	237,546
Disposals and other transfers	(6,425)	(36,684)	(7,012)	(50,121)	(23,772)	(23,362)	(9,583)	(56,717)
Transfer from investment property (Note 36)	14,807	–	–	14,807	2,846	–	1,451	4,297
At 31 December	1,469,557	1,272,389	480,271	3,222,217	1,457,560	1,121,832	435,781	3,015,173
Accumulated depreciation								
At 1 January	(310,696)	(692,867)	(281,312)	(1,284,875)	(294,960)	(590,339)	(259,275)	(1,144,574)
Currency translation	4,444	11,344	6,696	22,484	927	3,403	1,184	5,514
Acquisition of a subsidiary	–	(144)	(121)	(265)	–	–	–	–
Disposals and other transfers	231	18,499	9,103	27,833	11,250	21,858	19,515	52,623
Depreciation charge	(14,112)	(111,968)	(41,305)	(167,385)	(14,249)	(101,912)	(36,251)	(152,412)
Depreciation charge to profit from life assurance (Note 4)	(13,636)	(27,051)	(6,057)	(46,744)	(13,683)	(25,877)	(5,553)	(45,113)
Transfer (from)/to investment property (Note 36)	(4,556)	–	–	(4,556)	19	–	(932)	(913)
At 31 December	(338,325)	(802,187)	(312,996)	(1,453,508)	(310,696)	(692,867)	(281,312)	(1,284,875)
Accumulated impairment losses (Note 32)								
At 1 January	(65,829)	(63)	(536)	(66,428)	(65,856)	(63)	(1,277)	(67,196)
Currency translation	304	–	–	304	244	–	11	255
Disposals	–	–	–	–	–	–	31	31
Write-back to income statements	–	–	–	–	–	–	699	699
Transfer from investment property (Note 36)	–	–	–	–	(217)	–	–	(217)
At 31 December	(65,525)	(63)	(536)	(66,124)	(65,829)	(63)	(536)	(66,428)
Net carrying value, at 31 December	1,065,707	470,139	166,739	1,702,585	1,081,035	428,902	153,933	1,663,870
Freehold property	310,289				309,890			
Leasehold property	755,418				771,145			
Net carrying value	1,065,707				1,081,035			
Market value	2,368,792				2,236,041			

35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2012 Property-related	2012 Computer-related	2012 Others	2012 Total	2011 Property-related	2011 Computer-related	2011 Others	2011 Total
Cost								
At 1 January	**245,797**	**506,747**	**116,142**	**868,686**	258,836	407,672	111,238	777,746
Currency translation	**(12)**	**(123)**	**(457)**	**(592)**	(19)	2	29	12
Additions	**–**	**107,191**	**22,804**	**129,995**	–	107,201	11,360	118,561
Disposals and other transfers	**–**	**(5,673)**	**(1,472)**	**(7,145)**	–	(8,128)	(6,485)	(14,613)
Transfer from/(to) investment property (Note 36)	**10,405**	**–**	**–**	**10,405**	(13,020)	–	–	(13,020)
At 31 December	**256,190**	**608,142**	**137,017**	**1,001,349**	245,797	506,747	116,142	868,686
Accumulated depreciation								
At 1 January	**(60,458)**	**(304,818)**	**(77,175)**	**(442,451)**	(59,074)	(244,798)	(72,299)	(376,171)
Currency translation	**6**	**104**	**284**	**394**	9	(6)	(21)	(18)
Disposals	**–**	**5,311**	**1,321**	**6,632**	–	8,121	5,990	14,111
Depreciation charge	**(4,837)**	**(70,836)**	**(13,111)**	**(88,784)**	(4,726)	(68,135)	(10,845)	(83,706)
Transfer (from)/to investment property (Note 36)	**(2,264)**	**–**	**–**	**(2,264)**	3,333	–	–	3,333
At 31 December	**(67,553)**	**(370,239)**	**(88,681)**	**(526,473)**	(60,458)	(304,818)	(77,175)	(442,451)
Accumulated impairment losses (Note 32)								
At 1 January	**(946)**	**–**	**–**	**(946)**	(948)	–	–	(948)
Transfer to investment property (Note 36)	**–**	**–**	**–**	**–**	2	–	–	2
At 31 December	**(946)**	**–**	**–**	**(946)**	(946)	–	–	(946)
Net carrying value, at 31 December	**187,691**	**237,903**	**48,336**	**473,930**	184,393	201,929	38,967	425,289
Freehold property	**36,422**				37,092			
Leasehold property	**151,269**				147,301			
Net carrying value	**187,691**				184,393			
Market value	**403,429**				354,618			

36. INVESTMENT PROPERTY

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cost				
At 1 January	**1,119,631**	910,346	**665,780**	639,841
Currency translation	**(13,829)**	2,236	**(1,127)**	83
Additions	**17,335**	13,344	**16,180**	13,016
Acquisition of a subsidiary/business	**–**	203,329	**–**	–
Disposals	**(18,850)**	(965)	**(2,801)**	(180)
Transfer (to)/from:				
Property, plant and equipment (Note 35)	**(14,807)**	(4,297)	**(10,405)**	13,020
Assets held for sale	**(10,560)**	(4,362)	**(3,857)**	–
At 31 December	**1,078,920**	1,119,631	**663,770**	665,780
Accumulated depreciation				
At 1 January	**(190,840)**	(170,377)	**(92,146)**	(81,518)
Currency translation	**1,400**	(158)	**332**	(73)
Acquisition of a subsidiary	**–**	(8,026)	**–**	–
Disposals	**2,516**	782	**427**	34
Depreciation charge	**(16,812)**	(14,025)	**(7,140)**	(7,256)
Transfer to/(from):				
Property, plant and equipment (Note 35)	**4,556**	913	**2,264**	(3,333)
Assets held for sale	**2,441**	51	**788**	–
At 31 December	**(196,739)**	(190,840)	**(95,475)**	(92,146)
Accumulated impairment losses (Note 32)				
At 1 January	**(6,456)**	(7,076)	**(4,717)**	(4,836)
Currency translation	**72**	107	**38**	68
Disposals	**914**	53	**914**	53
Write-back/(impairment charge) to income statements	**552**	243	**(111)**	–
Transfer to/(from):				
Property, plant and equipment (Note 35)	**–**	217	**–**	(2)
Assets held for sale	**977**	–	**607**	–
At 31 December	**(3,941)**	(6,456)	**(3,269)**	(4,717)
Net carrying value				
Freehold property	**339,193**	348,796	**188,021**	174,897
Leasehold property	**539,047**	573,539	**377,005**	394,020
At 31 December	**878,240**	922,335	**565,026**	568,917
Market value	**2,881,727**	2,800,977	**1,476,676**	1,406,036

37. GOODWILL AND INTANGIBLE ASSETS

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Goodwill				
At 1 January	**3,237,995**	3,226,578	**1,867,176**	1,867,176
Acquisition of a subsidiary/interests in a business	**1,009**	7,568	**–**	–
Currency translation	**(63,807)**	3,849	**–**	–
At 31 December	**3,175,197**	3,237,995	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**709,399**	769,903		
Amortisation charged to income statements:				
– Customer relationships [1]	**(13,267)**	(14,701)		
– Life assurance business [2]	**(46,636)**	(46,636)		
Currency translation	**(6,791)**	833		
At 31 December	**642,705**	709,399		
Total goodwill and intangible assets	**3,817,902**	3,947,394	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**3,175,197**	3,237,995	**1,867,176**	1,867,176
Intangible assets, at cost	**1,063,485**	1,071,915	**–**	–
Accumulated amortisation for intangible assets	**(420,780)**	(362,516)	**–**	–
	3,817,902	3,947,394	**1,867,176**	1,867,176

(1) Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2012, these have a remaining useful life of 8 years (2011: 9 years).

(2) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2012, the intangible asset has a remaining useful life of 12 years (2011: 13 years).

Impairment tests for goodwill

For impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying value 2012 $'000	Carrying value 2011 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844,497**	844,497
Global Corporate Banking		**570,000**	570,000
Global Treasury		**524,000**	524,000
	Value-in-use	**1,938,497**	1,938,497
Great Eastern Holdings Limited ("GEH")	Appraisal value	**427,460**	427,460
Bank of Singapore Limited	Value-in-use	**531,113**	565,346
Lion Global Investors Limited	Value-in-use	**29,437**	29,437
PT Bank OCBC NISP Tbk	Value-in-use	**233,377**	262,713
Others	Value-in-use	**15,313**	14,542
		3,175,197	3,237,995

37. GOODWILL AND INTANGIBLE ASSETS (continued)

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. For 2012, the discount rates used ranged from 10.2% to 10.4% (2011: 10.2% to 12.4%). Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rates ranged from 2.0% to 5.0% (2011: 2.0% to 5.0%). The terminal growth rate for each CGU used does not exceed management's expectation of the long term average growth rate of the respective industry and country in which the CGU operates.

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 8.0% (2011: 8.0%) and 9.5% (2011: 9.5%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.12%, 4.0% and 6.0% (2011: 5.25%, 4.0% and 7.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.0% and 7.0% (2011: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

38. SEGMENT INFORMATION

38.1 Business segments

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2012						
Total income	1,949	2,658	842	1,537	975	7,961
Operating profit before allowances and amortisation	697	1,813	619	1,346	791	5,266
Amortisation of intangible assets	(13)	–	–	(47)	–	(60)
Allowances and impairment for loans and other assets	(95)	(68)	(2)	(#)	(106)	(271)
Operating profit after allowances and amortisation	589	1,745	617	1,299	685	4,935
Other information:						
Capital expenditure	26	4	#	52	221	303
Depreciation	34	10	2	3	135	184
At 31 December 2012						
Segment assets	66,779	93,494	66,600	60,617	19,030	306,520
Unallocated assets						90
Elimination						(10,667)
Total assets						295,943
Segment liabilities	73,848	88,563	43,268	53,226	16,937	275,842
Unallocated liabilities						2,067
Elimination						(10,667)
Total liabilities						267,242
Other information:						
Gross non-bank loans	55,384	86,188	1,440	398	620	144,030
NPAs (include debt securities)	267	887	–	3	15	1,172

(1) # represents amounts less than $0.5 million.

38. SEGMENT INFORMATION (continued)

38.1 Business segments (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2011						
Total income	1,698	2,336	693	672	262	5,661
Operating profit before allowances and amortisation	574	1,554	484	488	130	3,230
Amortisation of intangible assets	(14)	–	–	(47)	–	(61)
(Allowances and impairment)/ write-back for loans and other assets	(71)	(165)	(5)	(4)	24	(221)
Operating profit after allowances and amortisation	489	1,389	479	437	154	2,948
Other information:						
Capital expenditure	23	2	#	42	184	251
Depreciation	31	9	1	3	122	166
At 31 December 2011						
Segment assets	57,331	94,630	60,684	56,579	17,203	286,427
Unallocated assets						71
Elimination						(8,740)
Total assets						277,758
Segment liabilities	65,592	87,064	37,935	50,227	18,367	259,185
Unallocated liabilities						1,923
Elimination						(8,740)
Total liabilities						252,368
Other information:						
Gross non-bank loans	48,810	83,952	1,287	373	710	135,132
NPAs (include debt securities)	292	1,121	–	3	21	1,437

(1) # represents amounts less than $0.5 million.

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, and Insurance. The presentation has been revised in 2012 with the Global Consumer/Private Banking segment covering consumer banking, private banking and retail brokerage services, and Global Corporate/Investment Banking encompassing corporate banking, corporate finance and capital markets solutions. The Global Treasury and Markets segment reflects the management of the Group's asset and liability positions as well as trading activities, with income from products and services offered to customers reflected in the respective business segments. Comparative figures have been restated to conform to the current presentation.

Global Consumer/Private Banking

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

Global Corporate/Investment Banking

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

38. SEGMENT INFORMATION (continued)

38.1 Business segments (continued)

Global Treasury and Markets

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

Insurance

The Group's insurance business, including its fund management activities, is carried out by the Bank's subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

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

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:
(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments.

38.2 Geographical segments

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2012					
Singapore	**5,472**	**3,521**	**212**	**181,385**	**169,409**
Malaysia	**1,307**	**815**	**66**	**58,030**	**49,047**
Indonesia	**466**	**159**	**15**	**10,162**	**8,558**
Greater China	**487**	**320**	**9**	**28,083**	**21,473**
Other Asia Pacific	**150**	**94**	**1**	**10,426**	**8,520**
Rest of the World	**79**	**53**	**#**	**7,857**	**10,235**
	7,961	**4,962**	**303**	**295,943**	**267,242**
2011					
Singapore [1]	3,444	1,748	179	173,522	166,407
Malaysia [1]	1,220	773	42	53,327	44,498
Indonesia [1]	417	125	20	8,832	7,527
Greater China	387	195	9	28,878	20,403
Other Asia Pacific [1]	140	92	1	8,984	6,705
Rest of the World	53	22	#	4,215	6,828
	5,661	2,955	251	277,758	252,368

(1) Comparatives have been restated to conform to current year's presentation.
(2) # represents amounts less than $0.5 million.

The Group's operations are in six main geographical areas. With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated total income and total assets. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

39. FINANCIAL RISK MANAGEMENT

39.1 Overview

The objective of the Group's risk management practice is to drive the business through an integrated proactive risk management approach with strong risk analytics, while protecting the Group against losses that could arise from taking risks beyond its risk appetite. The Group's philosophy is that all risks must be properly understood, measured, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy, to enable the Group to maximise its risk-adjusted return on capital.

The Group's risk management objectives, policies and processes are detailed in the Risk Management Section.

39.2 Credit risk

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Gross		Average	
$ million	**2012**	**2011**	**2012**	**2011**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**142,376**	133,557	**136,117**	118,695
Placements with and loans to banks	**29,811**	28,615	**32,577**	25,786
Government treasury bills and securities	**22,298**	20,647	**21,458**	18,029
Debt securities	**12,231**	11,754	**11,393**	11,231
Amount due from associates	**#**	#	**#**	1
Assets pledged	**2,056**	1,839	**1,879**	1,191
Derivative receivables	**5,155**	5,899	**5,622**	5,665
Other assets, comprise interest receivables and sundry debtors	**2,806**	2,232	**2,738**	2,656
	216,733	204,543	**211,784**	183,254
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**9,100**	10,345	**9,178**	9,410
Credit commitments	**66,294**	63,577	**65,124**	58,408
	75,394	73,922	**74,302**	67,818
Total maximum credit risk exposure	**292,127**	278,465	**286,086**	251,072

(1) # represents amounts less than $0.5 million.

Collateral

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For derivatives, cash and securities;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities including those of Singapore, Malaysia and Hong Kong; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

75% of the loans and bills receivables as at 31 December 2012 are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Total loans and advances – Credit quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are required, under FRS 107, to be categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	**2012**	**2011**	**2012**	**2011**
Neither past due nor impaired	**30,508**	28,861	**142,763**	133,645
Not impaired	**–**	–	**487**	593
Impaired	**–**	–	**431**	544
Past due loans	**–**	–	**918**	1,137
Impaired but not past due	**–**	–	**349**	350
Gross loans	**30,508**	28,861	**144,030**	135,132
Specific allowances	**–**	–	**(303)**	(302)
Portfolio allowances	**–**	–	**(1,351)**	(1,220)
Net loans	**30,508**	28,861	**142,376**	133,610

Loans neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	Bank loans		Non-bank loans	
$ million	**2012**	**2011**	**2012**	**2011**
Grades				
Satisfactory and special mention	**30,508**	28,861	**142,526**	133,487
Substandard but not impaired	**–**	–	**237**	158
Neither past due nor impaired	**30,508**	28,861	**142,763**	133,645

Past due loans

Analysis of past due loans by industry and geography are as follows:

	Bank loans		Non-bank loans	
$ million	**2012**	**2011**	**2012**	**2011**
By industry				
Agriculture, mining and quarrying	**–**	–	**28**	9
Manufacturing	**–**	–	**159**	249
Building and construction	**–**	–	**56**	62
General commerce	**–**	–	**84**	113
Transport, storage and communication	**–**	–	**34**	28
Financial institutions, investment and holding companies	**–**	–	**82**	3
Professionals and individuals (include housing)	**–**	–	**438**	628
Others	**–**	–	**37**	45
	–	–	**918**	1,137
By geography				
Singapore	**–**	–	**128**	401
Malaysia	**–**	–	**501**	523
Rest of the World	**–**	–	**289**	213
	–	–	**918**	1,137

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Loans past due but not impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2012	2011
Past due		
Less than 30 days	**144**	128
30 to 90 days	**303**	382
Over 90 days	**40**	83
Past due but not impaired	**487**	593

Impaired loans and allowances

Non-bank loans that are individually determined to be impaired as at the reporting date are as follows:

$ million	2012	2011
Business segment		
Global Consumer Financial Services	**176**	172
Global Corporate Banking	**574**	698
Others	**15**	11
Individually impaired loans	**765**	881

Details on non-performing loans are set out in Note 27. The movements of specific and portfolio allowances account for loans are set out in Notes 28 and 29 respectively.

Collateral and other credit enhancements obtained

The assets obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date are as follows:

$ million	2012	2011
Properties	**–**	1
Others	**–**	#
Carrying amount of assets	**–**	1

(1) # represents amounts less than $0.5 million.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Country risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. Cross-border transfer risk exposures of more than 1% of assets were as follows:

$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure [(1)]					
31 December 2012					
People's Republic of China	**11,448**	**163**	**2,469**	**14,080**	**5.8**
Hong Kong SAR	**5,535**	**–**	**4,632**	**10,167**	**4.2**
Malaysia	**3,127**	**15**	**4,698**	**7,840**	**3.2**
Indonesia	**1,436**	**229**	**5,279**	**6,944**	**2.8**
British Virgin Islands	**–**	**–**	**5,130**	**5,130**	**2.1**
United Kingdom	**3,289**	**70**	**1,276**	**4,635**	**1.9**
United States	**963**	**477**	**1,343**	**2,783**	**1.1**
Australia	**1,942**	**–**	**715**	**2,657**	**1.1**
31 December 2011					
People's Republic of China	13,034	289	2,323	15,646	6.8
Malaysia	2,902	17	4,295	7,214	3.2
Hong Kong SAR	2,646	–	4,660	7,306	3.2
Indonesia	1,646	285	4,237	6,168	2.7
United Kingdom	3,435	–	711	4,146	1.8
British Virgin Islands	–	–	4,133	4,133	1.8
United States	1,159	–	2,528	3,687	1.6
Australia	2,514	–	665	3,179	1.4

(1) Assets (excluding life assurance fund investment assets) of $243,672 million (2011: $228,669 million).

39.3 Market risk and asset liability management

Disclosures on the Group's market risk management, and the Value-at-Risk ("VaR") summary of its trading portfolio, are in the Risk Management Section.

The Group's Asset Liability Management framework consists of three components:

- Structural interest rate risk management;
- Structural foreign exchange risk management; and
- Liquidity management.

The objectives, policies and processes of asset liability management are in the Risk Management Section.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Interest rate risk

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
2012								
Cash and placements with central banks	4,296	3,014	1,869	1,730	–	683	4,805	16,397
Placements with and loans to banks	7,754	4,690	8,117	9,286	50	#	611	30,508
Loans and bills receivable [(1)]	27,109	29,862	63,623	15,333	3,756	3,113	(420)	142,376
Securities [(2)]	533	2,715	6,031	6,956	7,916	10,537	3,134	37,822
Other assets [(3)]	1	3	17	205	423	45	8,305	8,999
Financial assets	39,693	40,284	79,657	33,510	12,145	14,378	16,435	236,102
Deposits of non-bank customers	41,325	25,185	48,850	22,569	1,199	894	25,117	165,139
Deposits and balances of banks	12,831	6,442	3,826	282	56	–	2,219	25,656
Trading portfolio liabilities	–	–	–	306	150	596	31	1,083
Other liabilities [(3)]	15	7	62	65	12	–	9,324	9,485
Debt issued	832	618	2,970	687	2,674	3,602	41	11,424
Financial liabilities	55,003	32,252	55,708	23,909	4,091	5,092	36,732	212,787
On-balance sheet sensitivity gap	(15,310)	8,032	23,949	9,601	8,054	9,286		
Off-balance sheet sensitivity gap	294	(34)	(2,308)	1,013	1,921	(886)		
Net interest sensitivity gap	(15,016)	7,998	21,641	10,614	9,975	8,400		
2011								
Cash and placements with central banks	3,555	2,953	871	1,189	–	579	3,750	12,897
Placements with and loans to banks	3,794	4,541	8,968	10,595	285	1	677	28,861
Loans and bills receivable [(1)]	12,222	41,104	52,845	21,534	4,091	2,223	(409)	133,610
Securities [(2)]	640	3,078	8,551	4,074	6,745	9,980	3,615	36,683
Other assets [(3)]	1	9	5	178	8	16	8,874	9,091
Financial assets	20,212	51,685	71,240	37,570	11,129	12,799	16,507	221,142
Deposits of non-bank customers	34,669	27,368	45,090	23,574	2,145	412	21,297	154,555
Deposits and balances of banks	8,097	6,411	3,470	601	81	–	2,993	21,653
Trading portfolio liabilities	–	–	384	171	695	336	69	1,655
Other liabilities [(3)]	12	5	84	65	–	12	10,136	10,314
Debt issued	472	2,615	5,111	930	1,595	2,322	18	13,063
Financial liabilities	43,250	36,399	54,139	25,341	4,516	3,082	34,513	201,240
On-balance sheet sensitivity gap	(23,038)	15,286	17,101	12,229	6,613	9,717		
Off-balance sheet sensitivity gap	(94)	(1,144)	(7,025)	4,110	4,332	(179)		
Net interest sensitivity gap	(23,132)	14,142	10,076	16,339	10,945	9,538		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(4) # represents amounts less than $0.5 million.

The significant market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes. One way of expressing this sensitivity for all interest rate sensitive positions, whether marked to market or subject to amortised cost accounting, is the impact on their fair values of basis point change in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Interest rate risk (continued)

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, net interest income is estimated to increase by $386 million (2011: $298 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $148 million (2011: $146 million) in net interest income. As a percentage of reported net interest income, the maximum exposure for significant currencies would be -3.7% (2011: -4.4%).

The 1% rate shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen, Sterling Pound and Hong Kong Dollar.

$ million	SGD	USD	MYR	Others	Total
2012					
Cash and placements with central banks	**5,176**	**1,048**	**4,224**	**5,949**	**16,397**
Placements with and loans to banks	**392**	**14,891**	**1,386**	**13,839**	**30,508**
Loans and bills receivable	**69,250**	**31,555**	**18,041**	**23,530**	**142,376**
Securities [1]	**17,300**	**4,990**	**3,480**	**12,052**	**37,822**
Other assets [2]	**5,447**	**1,910**	**710**	**932**	**8,999**
Financial assets	**97,565**	**54,394**	**27,841**	**56,302**	**236,102**
Deposits of non-bank customers	**82,095**	**31,455**	**20,739**	**30,850**	**165,139**
Deposits and balances of banks	**933**	**12,649**	**543**	**11,531**	**25,656**
Trading portfolio liabilities	**1,052**	**9**	**–**	**22**	**1,083**
Other liabilities [2]	**5,145**	**1,854**	**875**	**1,611**	**9,485**
Debt issued	**1,168**	**6,536**	**1,463**	**2,257**	**11,424**
Financial liabilities	**90,393**	**52,503**	**23,620**	**46,271**	**212,787**
Net financial assets exposure [3]	**7,172**	**1,891**	**4,221**	**10,031**	
2011					
Cash and placements with central banks	4,887	723	3,328	3,959	12,897
Placements with and loans to banks	261	11,699	1,119	15,782	28,861
Loans and bills receivable	60,277	35,660	16,365	21,308	133,610
Securities [1]	18,287	3,908	3,509	10,979	36,683
Other assets [2]	5,185	1,904	827	1,175	9,091
Financial assets	88,897	53,894	25,148	53,203	221,142
Deposits of non-bank customers	80,236	21,969	19,128	33,222	154,555
Deposits and balances of banks	1,086	11,934	444	8,189	21,653
Trading portfolio liabilities	1,586	16	–	53	1,655
Other liabilities [2]	5,938	2,037	952	1,387	10,314
Debt issued	1,285	6,873	1,340	3,565	13,063
Financial liabilities	90,131	42,829	21,864	46,416	201,240
Net financial (liabilities)/assets exposure [3]	(1,234)	11,065	3,284	6,787	

[1] Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
[2] Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
[3] Net exposure without taking into account effect of offsetting derivative exposure.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Structural foreign exchange risk

Structural foreign exchange risks arise primarily from the Group's net investments in overseas branches, subsidiaries and associates, strategic equity investments as well as property assets. The Group uses mainly foreign currency forwards and swaps to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

$ million	2012 Structural currency exposure	2012 Hedging financial instruments	2012 Net structural currency exposure	2011 Structural currency exposure	2011 Hedging financial instruments	2011 Net structural currency exposure
US Dollar	**1,911**	**1,812**	**99**	2,025	1,886	139
Malaysian Ringgit	**1,959**	**1,180**	**779**	1,919	468	1,451
Others	**3,974**	**1,184**	**2,790**	3,600	185	3,415
Total	**7,844**	**4,176**	**3,668**	7,544	2,539	5,005

Liquidity risk

The table below analyses the carrying value of financial assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2012							
Cash and placements with central banks	**5,081**	**3,014**	**1,869**	**1,730**	**–**	**4,703**	**16,397**
Placements with and loans to banks	**6,214**	**5,301**	**8,156**	**10,518**	**319**	**–**	**30,508**
Loans and bills receivable	**10,428**	**12,533**	**13,384**	**16,008**	**25,425**	**64,598**	**142,376**
Securities [(1)]	**364**	**1,811**	**3,927**	**6,706**	**9,187**	**15,827**	**37,822**
Other assets [(2)]	**1,599**	**1,189**	**1,764**	**3,449**	**659**	**339**	**8,999**
Financial assets	**23,686**	**23,848**	**29,100**	**38,411**	**35,590**	**85,467**	**236,102**
Deposits of non-bank customers	**92,637**	**25,233**	**21,575**	**23,174**	**1,386**	**1,134**	**165,139**
Deposits and balances of banks	**14,612**	**6,708**	**3,973**	**307**	**56**	**–**	**25,656**
Trading portfolio liabilities	**–**	**–**	**31**	**306**	**150**	**596**	**1,083**
Other liabilities [(2)]	**2,291**	**1,559**	**2,026**	**2,792**	**442**	**375**	**9,485**
Debt issued	**833**	**645**	**1,478**	**717**	**4,073**	**3,678**	**11,424**
Financial liabilities	**110,373**	**34,145**	**29,083**	**27,296**	**6,107**	**5,783**	**212,787**
Net liquidity gap – financial assets less financial liabilities	**(86,687)**	**(10,297)**	**17**	**11,115**	**29,483**	**79,684**	
2011							
Cash and placements with central banks	3,309	2,953	1,147	1,073	–	4,415	12,897
Placements with and loans to banks	4,380	4,362	8,591	11,020	429	79	28,861
Loans and bills receivable	10,250	10,527	13,209	17,735	22,817	59,072	133,610
Securities [(1)]	285	2,134	6,615	4,721	8,642	14,286	36,683
Other assets [(2)]	1,068	1,514	1,962	3,490	685	372	9,091
Financial assets	19,292	21,490	31,524	38,039	32,573	78,224	221,142
Deposits of non-bank customers	82,061	26,086	19,304	24,408	2,036	660	154,555
Deposits and balances of banks	10,415	6,559	3,939	661	79	–	21,653
Trading portfolio liabilities	–	–	453	170	695	337	1,655
Other liabilities [(2)]	1,723	1,833	2,140	3,523	537	558	10,314
Debt issued	468	2,620	4,453	779	730	4,013	13,063
Financial liabilities	94,667	37,098	30,289	29,541	4,077	5,568	201,240
Net liquidity gap – financial assets less financial liabilities	(75,375)	(15,608)	1,235	8,498	28,496	72,656	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).

(2) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

(3) Excluded from the tables are non-financial liabilities comprising of current and non-current liabilities. Current liabilities include current tax liabilities of $897 million (2011: $800 million). Non-current liabilities include deferred tax liabilities of $1,170 million (2011: $1,123 million).

(4) Excluded from the tables are non-financial assets comprising of non-current assets. Non-current assets include deferred tax assets of $43 million (2011: $43 million), property, plant and equipment of $1,703 million (2011: $1,664 million), investment property of $878 million (2011: $922 million), and goodwill and intangible assets of $3,818 million (2011: $3,947 million).

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities. Information on cash outflow of gross loan commitments is set out in Note 43. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 17) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2012							
Deposits of non-bank customers (1)	**92,661**	**25,354**	**21,732**	**23,535**	**1,478**	**1,262**	**166,022**
Deposits and balances of banks (1)	**14,619**	**6,721**	**3,979**	**311**	**56**	**–**	**25,686**
Trading portfolio liabilities	**–**	**–**	**31**	**306**	**150**	**596**	**1,083**
Other liabilities (2)	**1,875**	**628**	**261**	**442**	**423**	**99**	**3,728**
Debt issued	**833**	**661**	**1,548**	**914**	**4,421**	**4,187**	**12,564**
Net settled derivatives							
Trading	**376**	**119**	**283**	**778**	**1,485**	**740**	**3,781**
Hedging	**3**	**6**	**3**	**17**	**39**	**25**	**93**
Gross settled derivatives							
Trading – Outflow	**23,375**	**38,597**	**48,532**	**43,091**	**5,809**	**4,310**	**163,714**
Trading – Inflow	**(23,395)**	**(38,736)**	**(48,568)**	**(43,218)**	**(5,750)**	**(4,333)**	**(164,000)**
Hedging – Outflow	**588**	**1,352**	**578**	**11**	**852**	**940**	**4,321**
Hedging – Inflow	**(587)**	**(1,354)**	**(582)**	**(31)**	**(891)**	**(1,032)**	**(4,477)**
	110,348	**33,348**	**27,797**	**26,156**	**8,072**	**6,794**	**212,515**
2011							
Deposits of non-bank customers (1)	82,130	26,155	19,422	24,778	2,082	682	155,249
Deposits and balances of banks (1)	10,418	6,572	3,948	665	80	–	21,683
Trading portfolio liabilities	–	–	453	170	695	337	1,655
Other liabilities (2)	1,272	701	265	638	356	305	3,537
Debt issued	469	2,640	4,492	947	1,116	4,913	14,577
Net settled derivatives							
Trading	388	156	376	947	1,375	835	4,077
Hedging	#	2	4	17	35	20	78
Gross settled derivatives							
Trading – Outflow	23,286	41,939	63,585	59,732	6,400	2,719	197,661
Trading – Inflow	(23,271)	(41,675)	(63,670)	(59,768)	(6,464)	(2,703)	(197,551)
Hedging – Outflow	–	–	890	–	–	–	890
Hedging – Inflow	–	–	(880)	–	–	–	(880)
	94,692	36,490	28,885	28,126	5,675	7,108	200,976

(1) Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.
(2) Other liabilities include amount due to associates and joint ventures.
(3) # represents amounts less than $0.5 million.

39.4 Other risk areas

Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management

This note sets out the risk management information of GEH Group.

Governance framework

Managing risk is an integral part of GEH Group's core business, and it shall always operate within the risk appetite set by the GEH Board, and ensure reward commensurate for any risk taken.

GEH Group's Risk Management department spearheads the development and implementation of the Enterprise Risk Management Framework for GEH Group.

The Risk and Investment Committee ("RIC") is constituted to provide oversight on the risk management initiatives. At GEH group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives, namely: Group Management Team ("GMT"), Group Asset-Liability Committee ("Group ALC") and Group Information Technology Steering Committee ("Group ITSC").

GMT is responsible for providing leadership, direction and oversight with regards to all matters of GEH Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board") of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group has had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore and Bank Negara, Malaysia respectively.

GEH Group's approach to capital management requires sufficient capital to be held to cover statutory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2012 amounted to $8.6 billion (31 December 2011: $8.1 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2012 amounted to $0.7 billion (31 December 2011: $0.7 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Financial risk management

The principal activities of GEH Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness and personal accident), property and casualty.

GEH Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance risk

Insurance risks arise when GEH Group underwrites insurance contracts. A mis-estimation of the assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls when actual experience is different from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by GEH Group, type of risk insured or by industry.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RIC and Group ALC. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of $700,000 in Singapore and MYR350,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of $400,000 in Singapore and MYR250,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure GEH Group's risk. Risk to any one reinsurer is limited by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

Insurance risk of life insurance contracts

A substantial portion of GEH Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected. For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(A): Concentration of life insurance risk, net of reinsurance

Insurance liabilities ($ million)	2012	2011
(a) By class of business		
Whole life	**23,527**	21,271
Endowment	**14,900**	15,244
Term	**383**	348
Accident and health	**1,088**	963
Annuity	**648**	644
Others	**938**	820
Total	**41,484**	39,290
(b) By country		
Singapore	**25,779**	24,524
Malaysia	**15,400**	14,450
Others	**305**	316
Total	**41,484**	39,290

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity. Sensitivity analysis produced below are based on parameters set out as follows:

(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	– 25% for all future years
(e)	Scenario 5 – Lapse and Surrender Rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender Rates	– 25% for all future years
(g)	Scenario 7 – Expenses	+ 30% for all future years

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2012							
Gross impact	**(74.8)**	**19.9**	**71.8**	**(82.8)**	**53.9**	**(67.8)**	**(27.4)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(74.8)**	**19.9**	**71.8**	**(82.8)**	**53.9**	**(67.8)**	**(27.4)**
2011							
Gross impact	(58.1)	17.2	70.3	(78.4)	53.7	(67.6)	(26.1)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(58.1)	17.2	70.3	(78.4)	53.7	(67.6)	(26.1)

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(B2): Profit/(loss) after tax and shareholders' equity sensitivity for the Malaysia segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2012							
Gross impact	**(63.6)**	**55.7**	**(14.1)**	**11.6**	**1.3**	**(1.2)**	**(7.5)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(63.6)**	**55.7**	**(14.1)**	**11.6**	**1.3**	**(1.2)**	**(7.5)**
2011							
Gross impact	(53.6)	54.2	(13.2)	10.7	(0.8)	1.8	(6.1)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(53.6)	54.2	(13.2)	10.7	(0.8)	1.8	(6.1)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Insurance risk of non-life insurance contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(C1): Concentration of non-life insurance risk

Non-life insurance contracts $ million	2012 Gross premium liabilities	2012 Reinsured premium liabilities	2012 Net premium liabilities	2011 Gross premium liabilities	2011 Reinsured premium liabilities	2011 Net premium liabilities
(a) By class of business						
Fire	**21**	**(13)**	**8**	23	(13)	10
Motor	**39**	**(3)**	**36**	33	(5)	28
Marine and aviation	**1**	**(#)**	**1**	2	(1)	1
Workmen's compensation	**8**	**(3)**	**5**	6	(2)	4
Personal accident and health	**23**	**(2)**	**21**	23	(1)	22
Miscellaneous	**28**	**(18)**	**10**	25	(16)	9
Total	**120**	**(39)**	**81**	112	(38)	74
(b) By country						
Singapore	**56**	**(20)**	**36**	53	(21)	32
Malaysia	**64**	**(19)**	**45**	59	(17)	42
Total	**120**	**(39)**	**81**	112	(38)	74

Non-life insurance contracts $ million	2012 Gross claims liabilities	2012 Reinsured claims liabilities	2012 Net claims liabilities	2011 Gross claims liabilities	2011 Reinsured claims liabilities	2011 Net claims liabilities
(a) By class of business						
Fire	**23**	**(17)**	**6**	30	(23)	7
Motor	**87**	**(15)**	**72**	87	(13)	74
Marine and aviation	**5**	**(3)**	**2**	7	(5)	2
Workmen's compensation	**14**	**(5)**	**9**	10	(3)	7
Personal accident and health	**12**	**(2)**	**10**	11	(1)	10
Miscellaneous	**38**	**(21)**	**17**	38	(22)	16
Total	**179**	**(63)**	**116**	183	(67)	116
(b) By country						
Singapore	**62**	**(29)**	**33**	58	(30)	28
Malaysia	**117**	**(34)**	**83**	125	(37)	88
Total	**179**	**(63)**	**116**	183	(67)	116

(1) # represents amounts less than $0.5 million.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

Table 39.5(C2): Cumulative claims estimates and cumulative payments to-date

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2012

$ million	2005	2006	2007	2008	2009	2010	2011	2012	Total
(a) Estimate of cumulative claims									
Accident Year	59	49	61	57	75	77	127	118	
One year later	65	52	65	58	80	96	104	–	
Two years later	63	50	59	58	106	93	–	–	
Three years later	62	49	60	84	102	–	–	–	
Four years later	61	49	87	82	–	–	–	–	
Five years later	60	89	85	–	–	–	–	–	
Six years later	92	87	–	–	–	–	–	–	
Seven years later	92	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**92**	**87**	**85**	**82**	**102**	**93**	**104**	**118**	
(b) Cumulative payments									
Accident Year	21	20	22	23	32	31	40	37	
One year later	50	38	43	45	57	66	73	–	
Two years later	53	42	49	50	86	76	–	–	
Three years later	54	44	51	73	89	–	–	–	
Four years later	56	45	77	75	–	–	–	–	
Five years later	56	83	80	–	–	–	–	–	
Six years later	88	84	–	–	–	–	–	–	
Seven years later	88	–	–	–	–	–	–	–	
Cumulative payments	**88**	**84**	**80**	**75**	**89**	**76**	**73**	**37**	
(c) Non-life gross claim liabilities	**4**	**3**	**5**	**7**	**13**	**17**	**31**	**81**	**161**
Reserve for prior years									**17**
Unallocated surplus									**1**
General Insurance Fund Contract Liabilities, gross									**179**

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance liabilities for 2012

$ million	2005	2006	2007	2008	2009	2010	2011	2012	Total
(a) Estimate of cumulative claims									
Accident Year	26	29	32	36	43	52	84	87	
One year later	27	29	33	37	47	68	67	–	
Two years later	26	28	32	37	68	66	–	–	
Three years later	26	28	32	57	65	–	–	–	
Four years later	25	27	55	53	–	–	–	–	
Five years later	25	61	53	–	–	–	–	–	
Six years later	51	59	–	–	–	–	–	–	
Seven years later	51	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**51**	**59**	**53**	**53**	**65**	**66**	**67**	**87**	
(b) Cumulative payments									
Accident Year	11	12	13	17	22	24	28	30	
One year later	20	22	25	29	36	50	50	–	
Two years later	22	24	28	32	54	55	–	–	
Three years later	23	25	28	48	57	–	–	–	
Four years later	24	25	50	49	–	–	–	–	
Five years later	24	57	50	–	–	–	–	–	
Six years later	49	57	–	–	–	–	–	–	
Seven years later	49	–	–	–	–	–	–	–	
Cumulative payments	**49**	**57**	**50**	**49**	**57**	**55**	**50**	**30**	
(c) Non-life net claim liabilities	**2**	**2**	**3**	**4**	**8**	**11**	**17**	**57**	**104**
Reserve for prior years									**11**
Unallocated surplus									**1**
General Insurance Fund Contract Liabilities, net									**116**

Key assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

$ million	Change in assumptions	Impact on Gross liabilities	Net liabilities	Profit before tax	Equity
2012					
Provision for adverse deviation margin	**+20%**	**3**	**2**	**(2)**	**(2)**
Loss ratio	**+20%**	**107**	**82**	**(82)**	**(63)**
Claims handling expenses	**+20%**	**#**	**2**	**(2)**	**(2)**
2011					
Provision for adverse deviation margin	+20%	2	2	(2)	(1)
Loss ratio	+20%	115	83	(83)	(63)
Claims handling expenses	+20%	#	2	(2)	(2)

(1) # represents amounts less than $0.5 million.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

GEH Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. As for the funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

GEH Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with GEH Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity prices; as well as other risks like credit and liquidity risks are described below.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(a) Interest rate risk (including asset liability mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets. Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, GEH Group commenced an exercise to achieve portfolio matching of the assets and liabilities of Great Eastern Life Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of the SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching programme will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

(b) Foreign currency risk

Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposures ranging from 15% to 35% are applied to investments in fixed income portfolios at fund level. Currency risk of investments in foreign equities is generally not hedged.

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The following table shows the foreign exchange position of GEH Group's financial assets and liabilities by major currencies.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Total
2012					
Available-for-sale securities					
Equity securities	1,711	3,968	870	2,997	9,546
Debt securities	10,433	13,951	5,231	199	29,814
Other investments	435	168	717	236	1,556
Securities at fair value through profit or loss					
Equity securities	250	839	148	914	2,151
Debt securities	27	338	277	182	824
Other investments	609	71	162	197	1,039
Derivative assets and financial instruments with embedded derivatives	1,318	784	116	168	2,386
Loans	646	438	–	–	1,084
Insurance receivables	941	1,619	3	19	2,582
Other debtors and interfund balances	1,366	512	4	21	1,903
Cash and cash equivalents	2,812	809	464	128	4,213
Financial assets	20,548	23,497	7,992	5,061	57,098
Other creditors and interfund balances	1,759	664	5	34	2,462
Insurance payables	842	1,935	2	12	2,791
Derivative payables	25	–	13	4	42
Provision for agents' retirement benefits	–	245	–	–	245
Debt issued	399	–	–	–	399
General insurance fund contract liabilities	62	117	–	–	179
Life assurance fund contract liabilities	25,415	15,400	396	273	41,484
Financial liabilities	28,502	18,361	416	323	47,602
2011					
Available-for-sale securities					
Equity securities	2,641	3,906	1,169	2,346	10,062
Debt securities	7,874	11,900	3,810	439	24,023
Other investments [(1)]	332	106	737	233	1,408
Securities at fair value through profit or loss					
Equity securities	231	695	180	798	1,904
Debt securities	27	229	280	184	720
Other investments	637	50	74	182	943
Derivative assets and financial instruments with embedded derivatives	1,153	6	165	207	1,531
Loans	958	245	–	–	1,203
Insurance receivables	939	1,598	2	19	2,558
Other debtors and interfund balances	1,033	457	3	24	1,517
Cash and cash equivalents	4,610	2,153	361	125	7,249
Financial assets	20,435	21,345	6,781	4,557	53,118
Other creditors and interfund balances	1,678	649	2	36	2,365
Insurance payables	842	1,660	2	13	2,517
Derivative payables	7	8	33	14	62
Provision for agents' retirement benefits	–	231	–	#	231
Amount due to joint venture	–	–	–	#	#
Debt issued	399	–	–	–	399
General insurance fund contract liabilities	58	125	–	–	183
Life assurance fund contract liabilities	24,320	14,450	237	283	39,290
Financial liabilities	27,304	17,123	274	346	45,047

(1) Comparatives have been restated to conform to current year's presentation.
(2) # represents amounts less than $0.5 million.

GEH Group has no significant concentration of foreign currency risk.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.

(e) Alternative investment risk

GEH Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RIC and GEH Group ALC.

(f) Commodity risk

GEH Group does not have a direct or significant exposure to commodity risk.

(g) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the expected recovery or settlement of financial assets and maturity profile of GEH Group's financial liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
2012					
Available-for-sale securities					
Equity securities	–	–	–	9,546	9,546
Debt securities	2,694	9,438	27,061	–	39,193
Other investments	–	–	–	1,556	1,556
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,151	2,151
Debt securities	128	239	755	–	1,122
Other investments	–	–	–	1,039	1,039
Financial instruments with embedded derivatives	434	1,282	592	12	2,320
Loans	163	986	76	–	1,225
Insurance receivables	264	1	–	2,317	2,582
Other debtors and interfund balances	1,794	27	38	44	1,903
Cash and cash equivalents	4,213	–	–	–	4,213
Financial assets	9,690	11,973	28,522	16,665	66,850
Other creditors and interfund balances	2,251	175	36	–	2,462
Insurance payables	2,365	408	2	16	2,791
Provision for agents' retirement benefits	64	47	134	–	245
Debt issued	18	74	464	–	556
General insurance fund contract liabilities	159	4	–	16	179
Life assurance fund contract liabilities	5,674	5,722	30,088	–	41,484
Financial liabilities	10,531	6,430	30,724	32	47,717
2011					
Available-for-sale securities					
Equity securities	–	–	–	10,062	10,062
Debt securities	3,851	9,192	21,736	–	34,779
Other investments	–	–	–	1,408	1,408
Securities at fair value through profit or loss					
Equity securities	–	–	–	1,904	1,904
Debt securities	74	276	698	–	1,048
Other investments	–	–	–	943	943
Financial instruments with embedded derivatives	239	1,114	329	5	1,687
Loans	367	844	101	–	1,312
Insurance receivables	255	1	–	2,302	2,558
Other debtors and interfund balances	1,367	120	13	17	1,517
Cash and cash equivalents	7,249	–	–	–	7,249
Financial assets	13,402	11,547	22,877	16,641	64,467
Other creditors and interfund balances	2,074	276	15	–	2,365
Insurance payables [(1)]	2,052	459	2	4	2,517
Provision for agents' retirement benefits	60	44	127	–	231
Amount due to joint venture	#	–	–	–	#
Debt issued	18	74	483	–	575
General insurance fund contract liabilities	153	15	#	15	183
Life assurance fund contract liabilities	6,686	6,652	25,952	–	39,290
Financial liabilities	11,043	7,520	26,579	19	45,161

(1) Comparatives have been restated to conform to current year's presentation.

(2) # represents amounts less than $0.5 million.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2012				
Cash and cash equivalents	**3,767**	**–**	**446**	**4,213**
Other debtors and interfund balances	**1,222**	**610**	**71**	**1,903**
Insurance receivables	**313**	**2,269**	**–**	**2,582**
Loans	**141**	**943**	**–**	**1,084**
Investments, including derivative instruments	**7,060**	**36,136**	**4,120**	**47,316**
Assets held for sale	**3**	**–**	**–**	**3**
Associates and joint ventures	**–**	**323**	**–**	**323**
Goodwill	**–**	**34**	**–**	**34**
Property, plant and equipment	**–**	**711**	**–**	**711**
Investment properties	**–**	**1,532**	**–**	**1,532**
Assets	**12,506**	**42,558**	**4,637**	**59,701**
Insurance payables	**2,363**	**410**	**18**	**2,791**
Other creditors and interfund balances	**2,065**	**236**	**161**	**2,462**
Unexpired risk reserve	**120**	**–**	**–**	**120**
Derivative payables	**4**	**34**	**4**	**42**
Income tax	**480**	**–**	**8**	**488**
Provision for agents' retirement benefits	**64**	**181**	**–**	**245**
Deferred tax	**–**	**1,057**	**13**	**1,070**
Debt issued	**–**	**399**	**–**	**399**
General insurance fund	**159**	**27**	**–**	**186**
Life assurance fund	**1,168**	**41,375**	**4,515**	**47,058**
Liabilities	**6,423**	**43,719**	**4,719**	**54,861**
2011				
Cash and cash equivalents	6,756	–	493	7,249
Other debtors and interfund balances	935	541	41	1,517
Insurance receivables	306	2,252	–	2,558
Loans	353	850	–	1,203
Investments, including derivative instruments	6,764	30,244	3,583	40,591
Assets held for sale	4	–	–	4
Associates and joint ventures	–	320	–	320
Goodwill	–	26	–	26
Property, plant and equipment	–	722	–	722
Investment properties	–	1,412	–	1,412
Assets	15,118	36,367	4,117	55,602
Insurance payables	2,042	460	15	2,517
Other creditors and interfund balances	2,129	172	64	2,365
Unexpired risk reserve	112	–	–	112
Derivative payables	24	34	4	62
Income tax	412	–	6	418
Provision for agents' retirement benefits	60	171	–	231
Amount due to joint venture	#	–	–	#
Deferred tax	–	937	9	946
Debt issued	–	399	–	399
General insurance fund	153	36	–	189
Life assurance fund	2,606	37,733	4,082	44,421
Liabilities	7,538	39,942	4,180	51,660

(1) * represents expected recovery or settlement within 12 months from the balance sheet date.

(2) # represents amounts less than $0.5 million.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. GEH Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investment in bonds, financial loss may also materialise as a result of the widening of credit spread or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH Group ALC. GEH Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

	2012		2011	
$ million	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Type of collateral				
Policy loans – Cash value of policies	**2,268**	**4,444**	2,251	4,352
Secured loans				
Properties	**1,081**	**2,625**	1,201	3,161
Others	**2**	**1**	1	1
	3,351	**7,070**	3,453	7,514

As at 31 December 2012 and 31 December 2011, there were no investments lent and collateral received under securities lending arrangements. As at the balance sheet date, no investments (2011: nil) were placed as collateral for currency hedging purposes. Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the balance sheet of GEH Group. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The table also provides information regarding the credit risk exposure of GEH Group by classifying assets according to GEH Group's credit ratings of counterparties.

$ million	Neither past due nor impaired: Investment grade @	Neither past due nor impaired: Non-investment grade @	Neither past due nor impaired: Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2012	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	**–**	**–**	**–**	**9,546**	**–**	**9,546**
Debt securities	**26,158**	**192**	**3,464**	**–**	**–**	**29,814**
Other investments	**–**	**–**	**–**	**1,556**	**–**	**1,556**
Securities at fair value through profit or loss						
Equity securities	**–**	**–**	**–**	**2,151**	**–**	**2,151**
Debt securities	**–**	**–**	**2**	**822**	**–**	**824**
Other investments	**–**	**–**	**–**	**1,039**	**–**	**1,039**
Derivative assets and financial instruments with embedded derivatives	**1,174**	**2**	**1,100**	**110**	**–**	**2,386**
Loans	**–**	**–**	**1,084**	**–**	**–**	**1,084**
Insurance receivables	**1**	**–**	**2,547**	**–**	**34**	**2,582**
Other debtors and interfund balances	**–**	**–**	**1,831**	**71**	**1**	**1,903**
Cash and cash equivalents	**3,585**	**–**	**182**	**446**	**–**	**4,213**
Financial assets	**30,918**	**194**	**10,210**	**15,741**	**35**	**57,098**
2011						
Available-for-sale securities						
Equity securities	–	–	–	10,062	–	10,062
Debt securities [(1)]	21,754	204	2,065	–	–	24,023
Other investments	–	–	–	1,408	–	1,408
Securities at fair value through profit or loss						
Equity securities	–	–	–	1,904	–	1,904
Debt securities	–	–	2	718	–	720
Other investments	–	–	–	943	–	943
Derivative assets and financial instruments with embedded derivatives	656	14	802	59	–	1,531
Loans	–	–	1,203	–	–	1,203
Insurance receivables	1	–	2,531	–	26	2,558
Other debtors and interfund balances	–	–	1,474	40	3	1,517
Cash and cash equivalents	6,587	–	169	493	–	7,249
Financial assets	28,998	218	8,246	15,627	29	53,118

(1) Comparatives have been restated to conform to current year's presentation.
(2) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(3) * An ageing analysis for financial assets past due is provided below.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	6 to 12 months	Over 12 months	Sub-total	Past due and impaired @	Total
2012						
Insurance receivables	**27**	**6**	**1**	**34**	**8**	**42**
Other debtors and interfund balances	**1**	**–**	**#**	**1**	**#**	**1**
Total	**28**	**6**	**1**	**35**	**8**	**43**
2011						
Insurance receivables	23	3	#	26	13	39
Other debtors and interfund balances	3	#	#	3	–	3
Total	26	3	#	29	13	42

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

(2) # represents amounts less than $0.5 million.

(i) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear. The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Fund.

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2012**	**2011**	**2012**	**2011**
Change in variables:				
(a) Interest rate				
+100 basis points	**(156.9)**	(77.7)	**(255.6)**	(121.2)
–100 basis points	**(2.7)**	(45.0)	**73.4**	(13.0)
(b) LTRFDR				
+10 basis points	**16.9**	16.0	**16.9**	16.0
–10 basis points	**(17.5)**	(16.7)	**(17.5)**	(16.7)
(c) Foreign currency				
Market value of assets in foreign currency +5%	**13.3**	12.3	**51.2**	45.3
Market value of assets in foreign currency –5%	**(13.3)**	(12.3)	**(51.2)**	(45.3)
(d) Equity				
Market indices +20%				
STI	**14.6**	1.3	**34.9**	93.1
KLCI	**0.4**	0.4	**16.9**	13.8
Market indices –20%				
STI	**(14.6)**	(1.3)	**(34.9)**	(93.1)
KLCI	**(0.4)**	(0.4)	**(16.9)**	(13.8)
(e) Credit				
Spread +100 basis points	**(263.1)**	(197.2)	**(312.7)**	(227.2)
Spread –100 basis points	**263.1**	197.2	**312.7**	227.2
(f) Alternative investments [1]				
Market value of all alternative investments +10%	**15.9**	17.8	**22.5**	21.8
Market value of all alternative investments –10%	**(15.9)**	(17.8)	**(22.5)**	(21.8)

[1] Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

40. FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION

$ million	GROUP Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2012						
Cash and placements with central banks	–	–	16,397	–	–	16,397
Singapore government treasury bills and securities	1,314	380	–	11,447	–	13,141
Other government treasury bills and securities	1,786	–	–	7,371	–	9,157
Placements with and loans to banks	208	–	21,005	8,598	–	29,811
Debt and equity securities	2,030	–	555	12,347	–	14,932
Loans and bills receivable	–	–	142,376	–	–	142,376
Assets pledged	155	–	–	1,901	–	2,056
Other assets [1]	5,155	–	3,733	–	111	8,999
Financial assets	10,648	380	184,066	41,664	111	236,869
Non-financial assets						6,803
						243,672
LAF financial assets [2]	2,134	4,014	6,828	37,515	–	50,491
LAF non-financial assets [2]						1,780
Total assets						295,943
Deposits of non-bank customers	–	–	165,139	–	–	165,139
Deposits and balances of banks	–	–	25,656	–	–	25,656
Trading portfolio liabilities	1,083	–	–	–	–	1,083
Other liabilities [1]	5,001	–	4,161	–	323	9,485
Debt issued	–	211	11,213	–	–	11,424
Financial liabilities	6,084	211	206,169	–	323	212,787
Non-financial liabilities						2,068
						214,855
LAF financial liabilities [2]	–	–	5,156	–	41,484	46,640
LAF non-financial liabilities [2]						5,747
Total liabilities						267,242

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.

40. FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION (continued)

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2011						
Cash and placements with central banks	–	–	12,897	–	–	12,897
Singapore government treasury bills and securities	2,333	285	–	10,632	–	13,250
Other government treasury bills and securities	1,427	–	–	5,970	–	7,397
Placements with and loans to banks	232	–	24,730	3,653	–	28,615
Debt and equity securities	1,795	–	805	12,481	–	15,081
Loans and bills receivable	–	–	133,557	–	–	133,557
Assets pledged	395	–	53	1,391	–	1,839
Other assets [1]	5,899	–	3,079	–	113	9,091
Financial assets	12,081	285	175,121	34,127	113	221,727
Non-financial assets						6,943
						228,670
LAF financial assets [2]	1,300	3,545	9,973	32,625	–	47,443
LAF non-financial assets [2]						1,645
Total assets						277,758
Deposits of non-bank customers	–	–	154,555	–	–	154,555
Deposits and balances of banks	–	–	21,653	–	–	21,653
Trading portfolio liabilities	1,655	–	–	–	–	1,655
Other liabilities [1]	6,113	–	3,885	–	316	10,314
Debt issued	–	–	13,063	–	–	13,063
Financial liabilities	7,768	–	193,156	–	316	201,240
Non-financial liabilities						1,924
						203,164
LAF financial liabilities [2][3]	–	–	4,677	–	39,290	43,967
LAF non-financial liabilities [2][3]						5,237
Total liabilities						252,368

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.
(3) Comparatives have been restated to conform to current year's presentation.

40. FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION (continued)

$ million	Held for trading	Designated at fair value through profit or loss	BANK Loans and receivables/ amortised cost	Available-for-sale	Total
2012					
Cash and placements with central banks	–	–	9,382	–	9,382
Singapore government treasury bills and securities	1,314	–	–	10,647	11,961
Other government treasury bills and securities	1,740	–	–	4,358	6,098
Placements with and loans to banks	208	–	13,065	7,745	21,018
Debt and equity securities	1,707	–	418	7,223	9,348
Loans and bills receivable	–	–	104,157	–	104,157
Placements with and advances to subsidiaries	–	–	5,811	–	5,811
Assets pledged	73	–	–	1,873	1,946
Other assets [(1)]	4,693	–	1,147	–	5,840
Financial assets	9,735	–	133,980	31,846	175,561
Non-financial assets					8,891
Total assets					184,452
Deposits of non-bank customers	–	–	115,325	–	115,325
Deposits and balances of banks	–	–	21,539	–	21,539
Deposits and balances of subsidiaries	–	–	8,258	–	8,258
Trading portfolio liabilities	1,083	–	–	–	1,083
Other liabilities [(1)]	4,620	–	1,691	–	6,311
Debt issued	–	211	11,708	–	11,919
Financial liabilities	5,703	211	158,521	–	164,435
Non-financial liabilities					432
Total liabilities					164,867
2011					
Cash and placements with central banks	–	–	6,986	–	6,986
Singapore government treasury bills and securities	2,333	–	–	10,259	12,592
Other government treasury bills and securities	1,330	–	–	2,658	3,988
Placements with and loans to banks	232	–	17,441	2,981	20,654
Debt and equity securities	1,446	–	735	7,540	9,721
Loans and bills receivable	–	–	97,787	–	97,787
Placements with and advances to subsidiaries	–	–	6,775	–	6,775
Assets pledged	–	–	–	1,329	1,329
Other assets [(1)]	5,462	–	1,187	–	6,649
Financial assets	10,803	–	130,911	24,767	166,481
Non-financial assets					8,767
Total assets					175,248
Deposits of non-bank customers	–	–	109,827	–	109,827
Deposits and balances of banks	–	–	18,881	–	18,881
Deposits and balances of subsidiaries	–	–	5,913	–	5,913
Trading portfolio liabilities	1,655	–	–	–	1,655
Other liabilities [(1)]	5,782	–	1,623	–	7,405
Debt issued	–	–	13,797	–	13,797
Financial liabilities	7,437	–	150,041	–	157,478
Non-financial liabilities					425
Total liabilities					157,903

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

41.1 Fair values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

41.2 Fair value hierarchy

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data); and
- Level 3 – inputs for the valuation that are not based on observable market data.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

The following table summarises the Group's financial assets and liabilities recorded at fair value by level of the fair value hierarchies:

	2012				2011			
$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
GROUP								
Assets measured at fair value								
Placements with and loans to banks	–	8,806	–	8,806	–	3,885	#	3,885
Debt and equity securities [1]	9,866	4,196	315	14,377	10,885	3,084	307	14,276
Derivative receivables	24	5,033	98	5,155	17	5,806	76	5,899
Government treasury bills and securities	21,448	850	–	22,298	20,647	–	–	20,647
Life Assurance Fund investment assets [1]	28,337	15,326	–	43,663	24,734	12,736	–	37,470
Other financial assets	248	1,808	–	2,056	207	1,579	–	1,786
Total	59,923	36,019	413	96,355	56,490	27,090	383	83,963
Liabilities measured at fair value								
Derivative payables	28	4,905	68	5,001	19	6,026	68	6,113
Trading portfolio liabilities	1,083	–	–	1,083	1,655	–	–	1,655
Other financial liabilities	–	211	–	211	–	–	–	–
Total	1,111	5,116	68	6,295	1,674	6,026	68	7,768
BANK								
Assets measured at fair value								
Placements with and loans to banks	–	7,953	–	7,953	–	3,213	#	3,213
Debt and equity securities [1]	6,170	2,717	43	8,930	7,181	1,731	74	8,986
Derivative receivables	3	4,644	46	4,693	1	5,419	42	5,462
Government treasury bills and securities	17,210	849	–	18,059	16,580	–	–	16,580
Other financial assets	138	1,808	–	1,946	60	1,269	–	1,329
Total	23,521	17,971	89	41,581	23,822	11,632	116	35,570
Liabilities measured at fair value								
Derivative payables	6	4,580	34	4,620	2	5,749	31	5,782
Trading portfolio liabilities	1,083	–	–	1,083	1,655	–	–	1,655
Other financial liabilities	–	211	–	211	–	–	–	–
Total	1,089	4,791	34	5,914	1,657	5,749	31	7,437

(1) Comparatives have been restated to conform to current year's presentation.
(2) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

Movements in the Group's Level 3 financial assets and liabilities are as follows:

GROUP	2012				2011			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	**242**	**65**	**76**	**383**	387	91	102	580
Purchases	**45**	**–**	**27**	**72**	25	–	200	225
Settlements/disposals	**(45)**	**(#)**	**(7)**	**(52)**	(112)	(1)	(1)	(114)
Transfers in/(out) of Level 3	**–**	**#** (1)	**–**	**#**	(103) (2)	–	–	(103)
Gains/(losses) recognised in								
- profit or loss	**(12)**	**49**	**3**	**40**	23	(25)	(225)	(227)
- other comprehensive income	**(29)**	**(#)**	**(1)**	**(30)**	22	#	#	22
At 31 December	**201**	**114**	**98**	**413**	242	65	76	383
Total gains/(losses) included in profit or loss for assets held at the end of the year	**(17)**	**49**	**19**	**51**	10	(25)	8	(7)

Gains/(losses) included in profit or loss are presented in the income statement as follows:

	2012				2011			
$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**1**	**50**	**(11)**	**40**	1	(250)	22	(227)
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**68**	**(17)**	**51**	–	(17)	10	(7)

(1) Relates to transfers to Level 3 due to unavailability of market observable inputs.

(2) Relates to transfers to Level 1 for debt securities converted to quoted equity securities and Level 2 for debt securities due to availability of market observable inputs.

(3) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

BANK	2012				2011			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	**74**	**#**	**42**	**116**	153	1	105	259
Purchases	**4**	**–**	**9**	**13**	14	–	177	191
Settlements/disposals	**(31)**	**(#)**	**–**	**(31)**	(100)	(1)	–	(101)
Transfers out of Level 3	**–**	**–**	**–**	**–**	(6) [1]	–	–	(6)
Gains/(losses) recognised in								
- profit or loss	**5**	**(#)**	**(5)**	**(#)**	20	(#)	(240)	(220)
- other comprehensive income	**(9)**	**(#)**	**–**	**(9)**	(7)	#	–	(7)
At 31 December	**43**	**–**	**46**	**89**	74	#	42	116
Total gains/(losses) included in profit or loss for assets held at the end of the year	**#**	**(#)**	**9**	**9**	10	(#)	(3)	7

Gains/(losses) included in profit or loss are presented in the income statement as follows:

	2012				2011			
$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**#**	**(7)**	**7**	**(#)**	1	(240)	19	(220)
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**9**	**#**	**9**	–	(3)	10	7

(1) Relates to transfers to Level 1 for debt securities converted to quoted equity securities.
(2) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

	GROUP				BANK			
	2012		2011		2012		2011	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Liabilities measured at fair value								
At 1 January	**68**	**68**	92	92	**31**	**31**	77	77
Issues	**21**	**21**	223	223	**12**	**12**	199	199
Settlements/disposals	**(12)**	**(12)**	(8)	(8)	**–**	**–**	–	–
Losses/(gains) recognised in								
- profit or loss	**(8)**	**(8)**	(239)	(239)	**(9)**	**(9)**	(245)	(245)
- other comprehensive income	**(1)**	**(1)**	(#)	(#)	**–**	**–**	(#)	(#)
At 31 December	**68**	**68**	68	68	**34**	**34**	31	31
Total losses included in profit or loss for liabilities held at the end of the year	**(7)**	**(7)**	(24)	(24)	**(6)**	**(6)**	(14)	(14)

Gains/(losses) included in profit or loss are presented in the income statements as follows:

	GROUP				BANK			
	2012		2011		2012		2011	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains included in profit or loss for the year ended	**8**	**8**	239	239	**9**	**9**	245	245
Total losses included in profit or loss for liabilities held at the end of the year	**(7)**	**(7)**	(24)	(24)	**(6)**	**(6)**	(14)	(14)

(1) # represents amounts less than $0.5 million.

42. CONTINGENT LIABILITIES

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**3,484,131**	3,941,393	**2,955,362**	3,378,077
Term to maturity of more than one year	**2,719,085**	2,930,989	**2,369,053**	2,550,905
	6,203,216	6,872,382	**5,324,415**	5,928,982
Acceptances and endorsements	**915,270**	1,306,778	**188,433**	317,521
Documentary credits and other short term trade-related transactions	**1,981,694**	1,909,785	**1,466,867**	1,330,637
Others	**–**	256,272	**–**	–
	9,100,180	10,345,217	**6,979,715**	7,577,140

42.1 Analysed by industry

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Agriculture, mining and quarrying	**285,983**	226,636	**42,474**	29,432
Manufacturing	**1,756,473**	1,325,228	**1,415,868**	944,678
Building and construction	**1,648,358**	1,621,289	**1,300,388**	1,209,827
General commerce	**2,944,882**	3,373,159	**2,112,801**	2,105,000
Transport, storage and communication	**594,564**	587,446	**582,844**	562,405
Financial institutions, investment and holding companies	**460,575**	1,537,763	**523,985**	1,522,267
Professionals and individuals	**321,770**	344,865	**74,311**	75,536
Others	**1,087,575**	1,328,831	**927,044**	1,127,995
	9,100,180	10,345,217	**6,979,715**	7,577,140

42.2 Analysed by geography

	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
Singapore	**5,650,283**	6,093,754	**5,836,483**	6,231,479
Malaysia	**1,107,766**	1,404,322	**248,115**	365,409
Indonesia [(1)]	**868,412**	802,062	**–**	–
Greater China	**1,153,510**	1,723,377	**551,454**	624,661
Other Asia Pacific [(1)]	**240,054**	175,710	**263,508**	209,599
Rest of the World	**80,155**	145,992	**80,155**	145,992
	9,100,180	10,345,217	**6,979,715**	7,577,140

(1) Comparatives have been restated to conform to current year's presentation.

Contingent liabilities analysed by geography is based on the country where the transactions are recorded.

43. COMMITMENTS

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group subject to notice requirements.

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
43.1 Credit commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**52,530,534**	46,856,993	**30,804,258**	29,684,812
Term to maturity of more than one year	**13,763,878**	16,718,428	**11,306,082**	13,901,960
	66,294,412	63,575,421	**42,110,340**	43,586,772
Undrawn note issuance and revolving underwriting facilities	**–**	2,047	**–**	–
	66,294,412	63,577,468	**42,110,340**	43,586,772
43.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**49,841**	47,566	**17,640**	18,236
After 1 year but within 5 years	**55,867**	75,974	**16,188**	26,375
Over 5 years	**27**	1,325	**–**	720
	105,735	124,865	**33,828**	45,331
Capital commitment authorised and contracted	**140,413**	101,001	**83,236**	63,814
Forward deposits and assets purchase	**499,498**	1,088,891	**440,058**	1,084,186
	745,646	1,314,757	**557,122**	1,193,331
43.3 Total commitments	**67,040,058**	64,892,225	**42,667,462**	44,780,103
43.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	**1,342,297**	1,109,307	**724,808**	620,126
Manufacturing	**5,531,068**	5,477,230	**2,700,456**	2,848,397
Building and construction	**4,848,792**	5,228,580	**3,734,292**	4,050,765
General commerce	**10,501,410**	8,702,481	**8,527,585**	7,004,059
Transport, storage and communication	**3,171,384**	2,596,716	**2,866,893**	2,185,642
Financial institutions, investment and holding companies [1]	**13,685,566**	13,028,988	**8,410,817**	8,864,768
Professionals and individuals	**21,033,097**	21,643,749	**11,721,431**	14,862,655
Others [1]	**6,180,798**	5,790,417	**3,424,058**	3,150,360
	66,294,412	63,577,468	**42,110,340**	43,586,772
43.5 Credit commitments analysed by geography				
Singapore	**50,312,328**	48,678,969	**36,002,730**	38,091,141
Malaysia	**6,337,313**	6,291,633	**139,053**	167,950
Indonesia [1]	**2,661,544**	2,359,548	**–**	–
Greater China	**4,884,744**	4,598,806	**3,863,263**	3,672,129
Other Asia Pacific [1]	**1,466,409**	1,041,084	**1,473,220**	1,048,124
Rest of the World	**632,074**	607,428	**632,074**	607,428
	66,294,412	63,577,468	**42,110,340**	43,586,772

(1) Comparatives have been restated to conform to current year's presentation.

Credit commitments analysed by geography is based on the country where the transactions are recorded.

44. ASSETS PLEDGED

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Government treasury bills and securities (Note 24)				
- Singapore	**118,497**	–	**118,497**	–
- Others	**19,687**	207,297	**19,687**	59,553
Placements with and loans to banks (Note 25)	**1,464,467**	831,495	**1,464,467**	831,495
Loans and bills receivable (Note 26)	**–**	53,225	**–**	–
Debt securities (Note 30)	**453,504**	746,964	**343,684**	437,857
	2,056,155	1,838,981	**1,946,335**	1,328,905
Repo balances for assets pledged	**1,858,816**	1,736,590	**1,751,402**	1,238,373

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $1,515.8 million (2011: $1,193.9 million), of which nil (2011: nil) have been sold or re-pledged. The Group is obliged to return equivalent assets.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

45. ASSETS HELD FOR SALE

Assets held for sale comprise properties which the Group is disposing, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the current financial period.

46. MINIMUM LEASE RENTAL RECEIVABLE

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	GROUP		BANK	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within 1 year	**44,079**	46,648	**18,222**	20,996
After 1 year but within 5 years	**49,218**	56,115	**8,289**	16,128
Over 5 years	**80**	3,896	**–**	–
	93,377	106,659	**26,511**	37,124

47. RELATED PARTY TRANSACTIONS

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

47.1 Related party balances at the balance sheet date and transactions during the financial year were as follows:

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2012	#	1	16	–
Net (decrease)/increase	(#)	6	(1)	119
At 31 December 2012	**#**	**7**	**15**	**119**
(b) Deposits, borrowings and other payables				
At 1 January 2012	178	104	34	1,206
Net (decrease)/increase	(17)	(2)	6	2
At 31 December 2012	**161**	**102**	**40**	**1,208**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2012	–	312	9	#
Net increase/(decrease)	–	–	14	(#)
At 31 December 2012	**–**	**312**	**23**	**#**
(d) Income statement transactions				
Year ended 31 December 2012:				
Interest income	**–**	**#**	**#**	**#**
Interest expense	**1**	**1**	**#**	**13**
Rental income	**#**	**2**	**–**	**#**
Fee and commission and other income	**#**	**1**	**1**	**89**
Rental and other expenses	**3**	**#**	**#**	**#**
Year ended 31 December 2011:				
Interest income	–	#	#	#
Interest expense	1	1	#	5
Rental income	#	3	–	#
Fee and commission and other income	#	1	#	73
Rental and other expenses	3	#	#	3

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.

(2) # represents amounts less than $0.5 million.

47. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2012	6,775	–	#	10	–
Net (decrease)/increase	(963)	–	2	2	119
At 31 December 2012	**5,812**	**–**	**2**	**12**	**119**
(b) Deposits, borrowings and other payables					
At 1 January 2012	7,933	164	85	33	524
Net increase/(decrease)	2,225	(15)	(5)	5	(114)
At 31 December 2012	**10,158**	**149**	**80**	**38**	**410**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2012	1,150	–	312	1	#
Net (decrease)/increase	(507)	–	–	13	–
At 31 December 2012	**643**	**–**	**312**	**14**	**#**
(d) Income statement transactions					
Year ended 31 December 2012:					
Interest income	**95**	**–**	**#**	**#**	**#**
Interest expense	**160**	**1**	**#**	**#**	**1**
Rental income	**7**	**–**	**–**	**–**	**–**
Fee and commission and other income	**23**	**–**	**#**	**#**	**89**
Rental and other expenses	**235**	**3**	**#**	**#**	**#**
Year ended 31 December 2011:					
Interest income	77	–	#	#	#
Interest expense	134	1	#	#	1
Rental income	6	–	–	–	–
Fee and commission and other income	17	–	#	#	72
Rental and other expenses	222	3	#	#	#

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) # represents amounts less than $0.5 million.

47.2 Key management personnel compensation

	BANK 2012 $ million	BANK 2011 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**36**	35
Share-based benefits	**12**	14
	48	49

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2012 included in the above table are subject to the approval of the Remuneration Committee.

48. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised financial reporting standards and interpretations are mandatory with effect from the annual period commencing 1 January 2013:

FRS 1 (Amendments)	*Presentation of Items of Other Comprehensive Income*
FRS 19 (Amendments)	*Employee Benefits*
FRS 107 (Amendments)	*Disclosures: Offsetting Financial Assets and Financial Liabilities*
FRS 113	*Fair Value Measurements*
Improvements to FRSs 2012	

FRS 113 replaces the fair value measurement guidance contained in individual FRSs with a single source of fair value measurement guidance. It provides a definition of fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The initial application of the above standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements.

Group's Major Properties

As at 31 December 2012

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value [1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	28,859	915,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	101,507	325,000
18 Church Street, OCBC Centre South	Office	100	118,909	74,631	142,200
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	294,250	397,000
11 Tampines Central 1	Office	100	115,824	62,890	85,000
31 Tampines Avenue 4	Office	100	97,572	48,180	64,000
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	100	34,563 [2]	36,838	49,000
260 Tanjong Pagar Road	Office	100	44,940	7,098	42,300
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,769	22,400
110 Robinson Road	Office	100	22,120	4,351	21,000
460 North Bridge Road	Office	100	26,576	2,908	27,000
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	39,651	264,220
2 Mt Elizabeth Link	Residential	100	104,377	21,467	177,700
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	13,247	49,250
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,637	21,000
277 Orchard Road	Land under development	100	72,910 [3]	128,323	537,000
				868,606	3,139,070
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	23,356	49,949
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	11,128	27,721
People's Republic of China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	174,096	184,452
Other properties in					
Singapore				138,834	583,270
Malaysia				64,905	175,289
Indonesia				33,119	47,976
Greater China				58,928	234,932
Other Asia Pacific				13,547	46,680
Rest of the World				2,014	12,812
				311,347	1,100,959
Total [4]				**1,388,533**	**4,502,151**

(1) Valuations were made by independent firms of professional valuers.
(2) Refers to strata floor area.
(3) Refers to land area.
(4) Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.